

Welcome
BANORTE DAY
2013

Agenda

9:00 - 9:15 Welcoming Remarks | **Guillermo Ortiz Martínez**

Part I: The Mexican Context and the GFNorte Strategy

9:15 - 9:35 Mexico's Structural Reforms and Economic Outlook | **Gabriel Casillas**

9:35 - 9:55 GFNorte's Strategy and Financial Performance | **Rafael Arana & David Suárez**

9:55 - 10:20 Q&A

10:20 - 10:30 Coffee Break

Part 2: Driving the Transformation at the Business Unit Level: Strategy, Structure and Expected Results

10:30 - 10:50 Retail Banking | **Jesús Garza & Manuel Romo**

10:50 - 11:10 Wholesale Banking | **Marcos Ramírez**

11:10 - 11:20 The New Retail Banking Model | **Andrés Aymes**

11:20 - 11:40 SUMANDO Project: IT and Process Transformation | **Javier Salgado, Ignacio Aldonza & Concepción Borjón**

11:40 - 12:00 Afore, Insurance and Annuities | **Fernando Solís Soberón**

12:00 - 12:25 Q&A

12:25 - 12:40 Closing Remarks | **Alejandro Valenzuela**

12:40 - 13:30 Lunch: Informal Dialogue | **Senior Management**

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Banorte Day 2013

Welcoming Remarks

Guillermo Ortiz Martínez



Banorte Day 2013

Has the “Mexican moment” passed?

Gabriel Casillas



Mexico Moment: From euphoria to disenchantment

Why has the Mexican economy slowed down?

The *Mexico Moment* is alive...

(1) Change in the global philosophy of investment

(2) Renewed competitiveness

(3) Economic stability

(4) Structural reforms

2014 preliminary outlook

From euphoria...



The Economist

NOVEMBER 24TH - 30TH 2012 Economist.com

Old battles, new Middle East
Tech firms' radical economists
Will Spain come apart?
How lawsuits hobble the art market
China's young mandarins

The rise of Mexico

Video Interactive Blogs News feed Alphaville beyondbrics Portfolio Special Reports In dep

June 27, 2013 10:09 pm

Aztec tiger begins to sharpen its claws

By Adam Thomson

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Direct route: Mexico City's urban highway, carving its way from north to south, has been the focus of investment

...to disenchantment



Luis Homero Echeverría

El Tricolor se aleja de Brasil. México pasó anoche una de las mayores vergüenzas de su historia futbolística al sufrir su segundo azteca y complicar la clasificación al Mundial de 2014. El juego errático y desordenado de la Selección, dirigida por José Manuel de la Torre, provocó que Honduras saliera triunfante por primera vez en la historia de un partido de eliminatoria en el Estadio Azteca. La afición mexicana terminó por gritar oles a favor de los hondureños y con...

Mexico Moment: From euphoria to disenchantment

Why has the Mexican economy slowed down?

The *Mexico Moment* is alive...

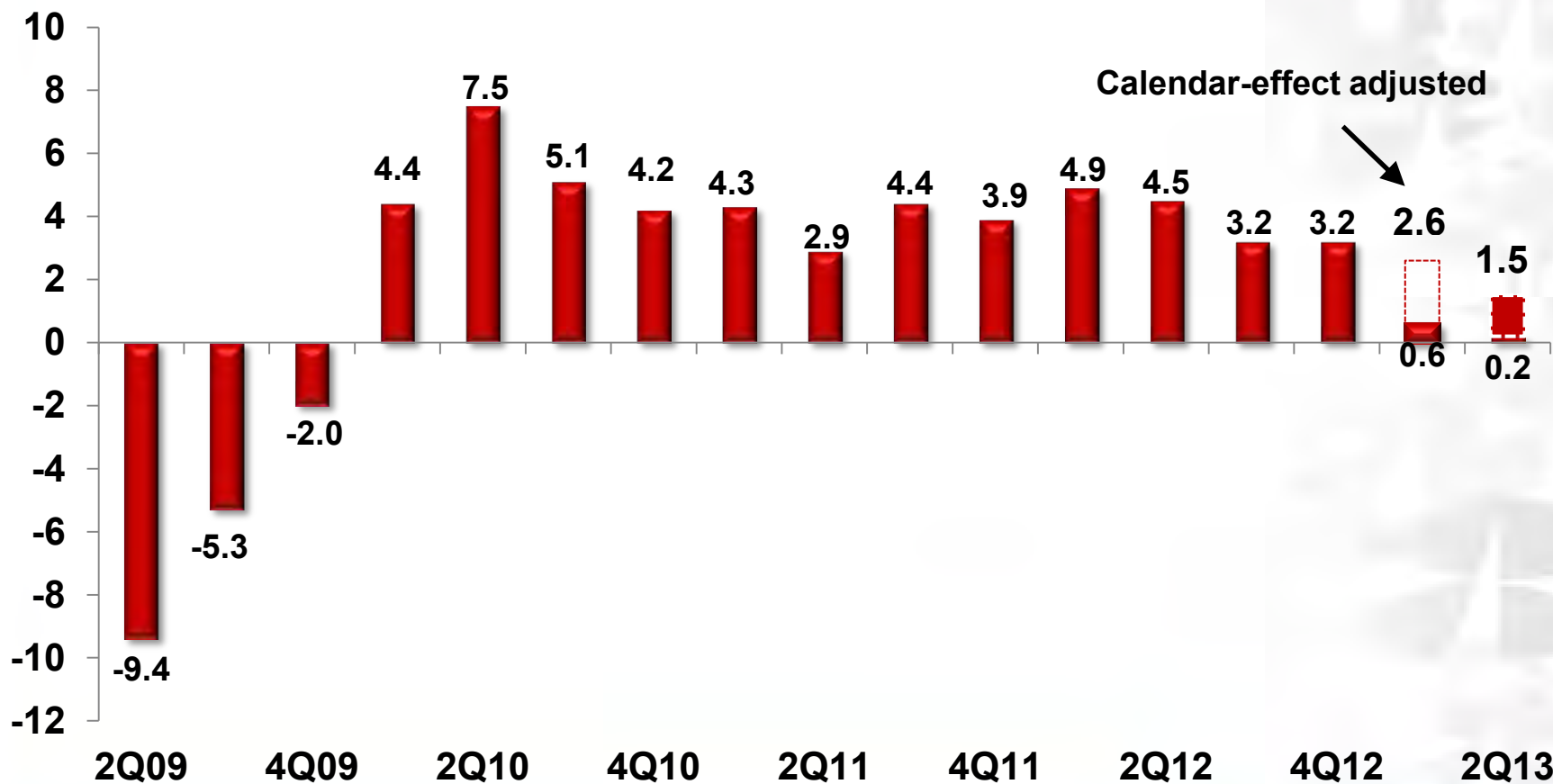
- (1) Change in the global philosophy of investment**
- (2) Renewed competitiveness**
- (3) Economic stability**
- (4) Structural reforms**

2014 preliminary outlook

There is no doubt that economic activity slowed down in 1H13...

GDP growth

% YoY

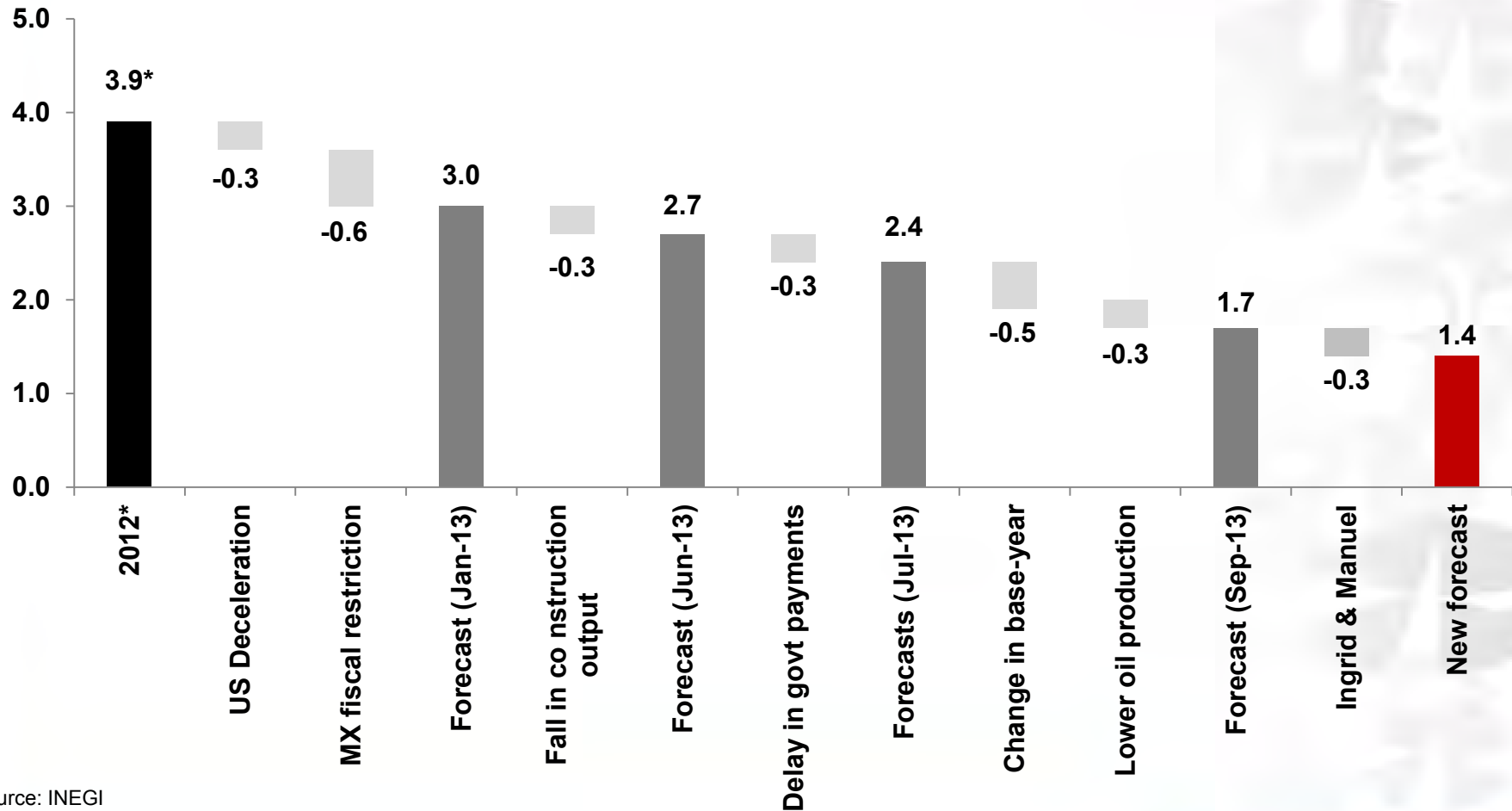


Source: Banorte-Ixe with data from INEGI

GDP growth forecast revisions in 2013

2013 GDP forecast revisions

% YoY



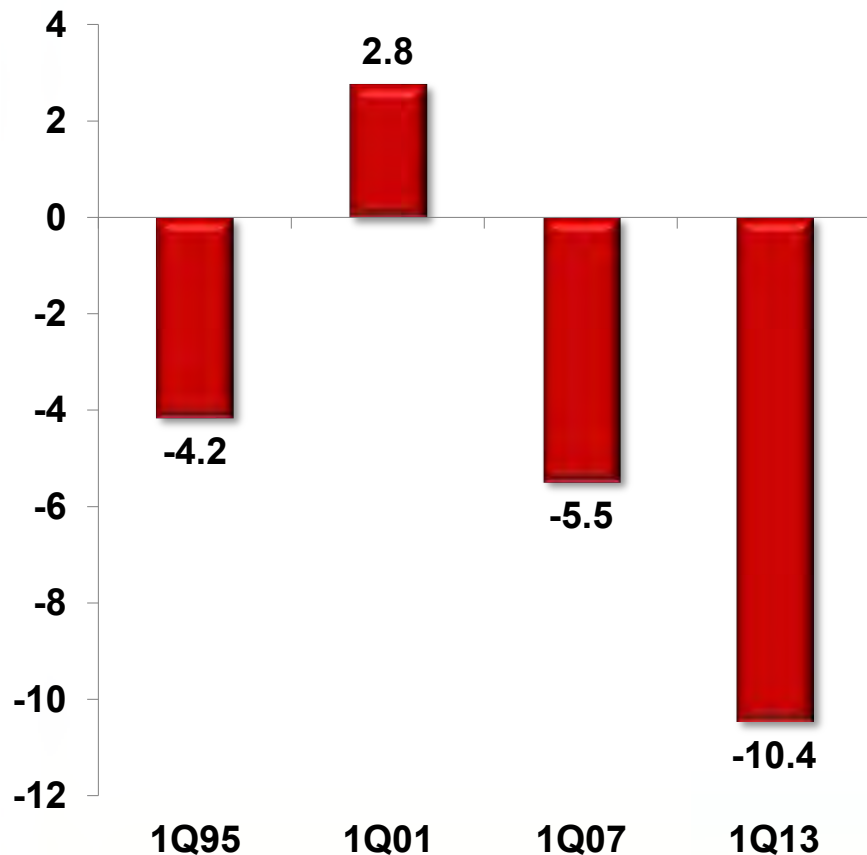
Source: INEGI

*Original data point (now revised down to 3.8%)

Significant and front-loaded fiscal restriction

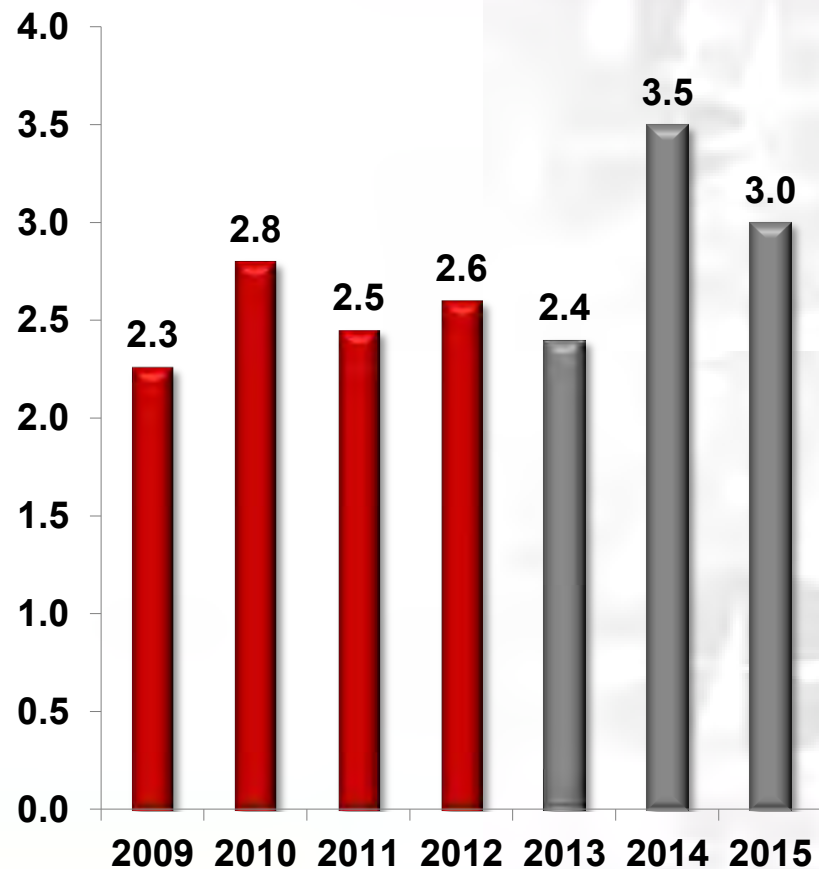
Government spending

% YoY in real terms



Fiscal deficit

% of GDP

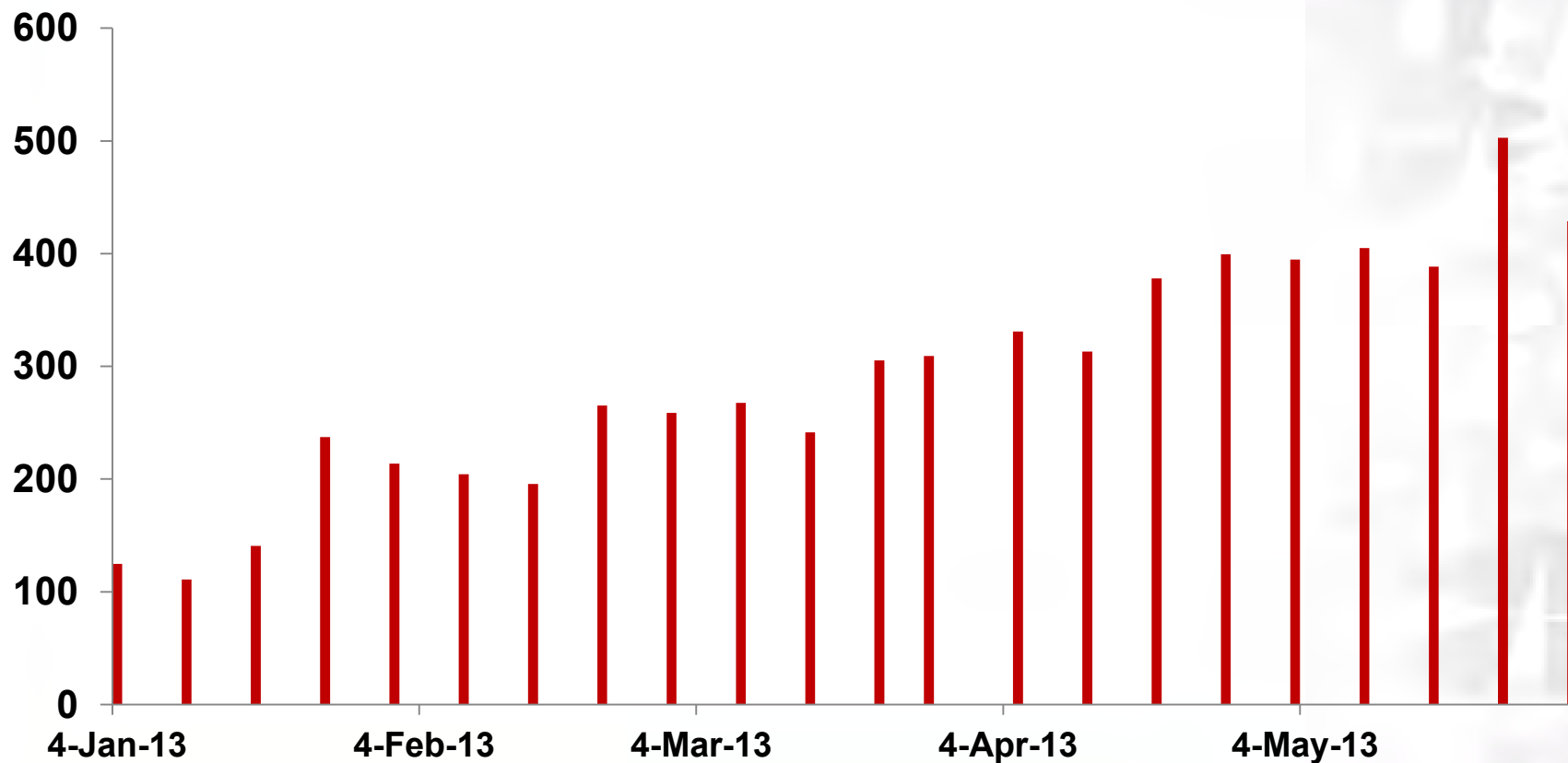


Source: MoF, INEGI and Banorte-Ixe

The government accumulated significant balance in 1H13

Federal Government deposits in Banxico

MXN, billion

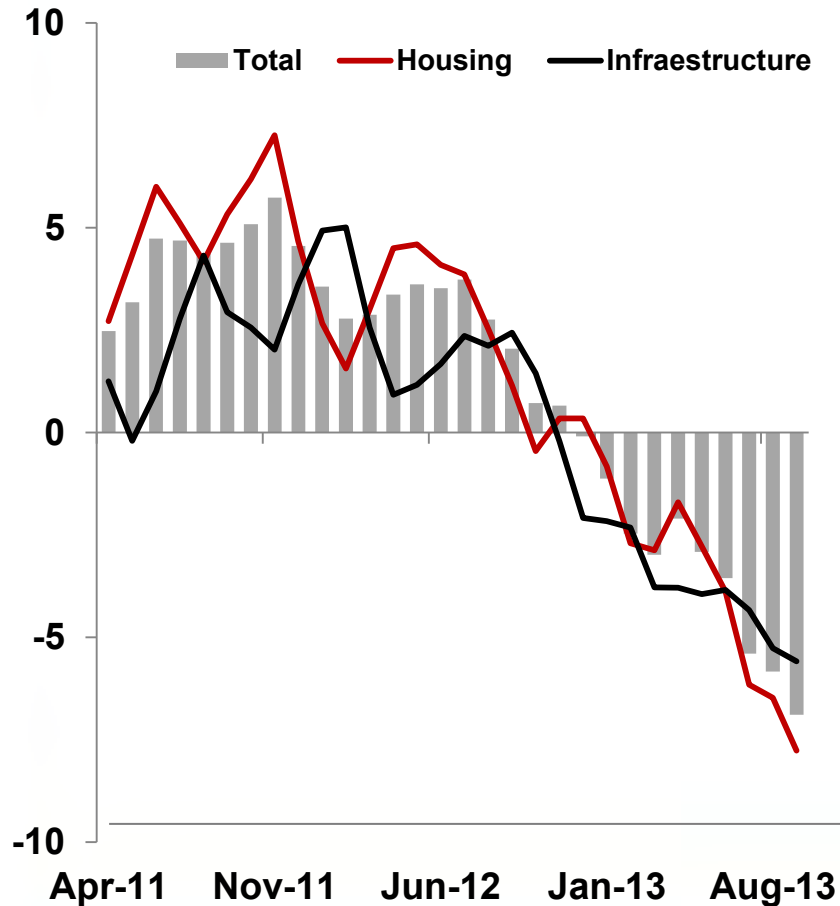


Source: Banco de México

Decline in construction output, concentrated in housing

Construction output

% YoY, 3m-MA



Source: INEGI and Banorte-Ixe

Low-income housing sector - Impact % GDP

Construction

5.9%

Residential

36%

Low income

60%

Public companies

24%

0.3% of GDP

+0.2% indirect effects

Mexico Moment: From euphoria to disenchantment

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2014 preliminary outlook

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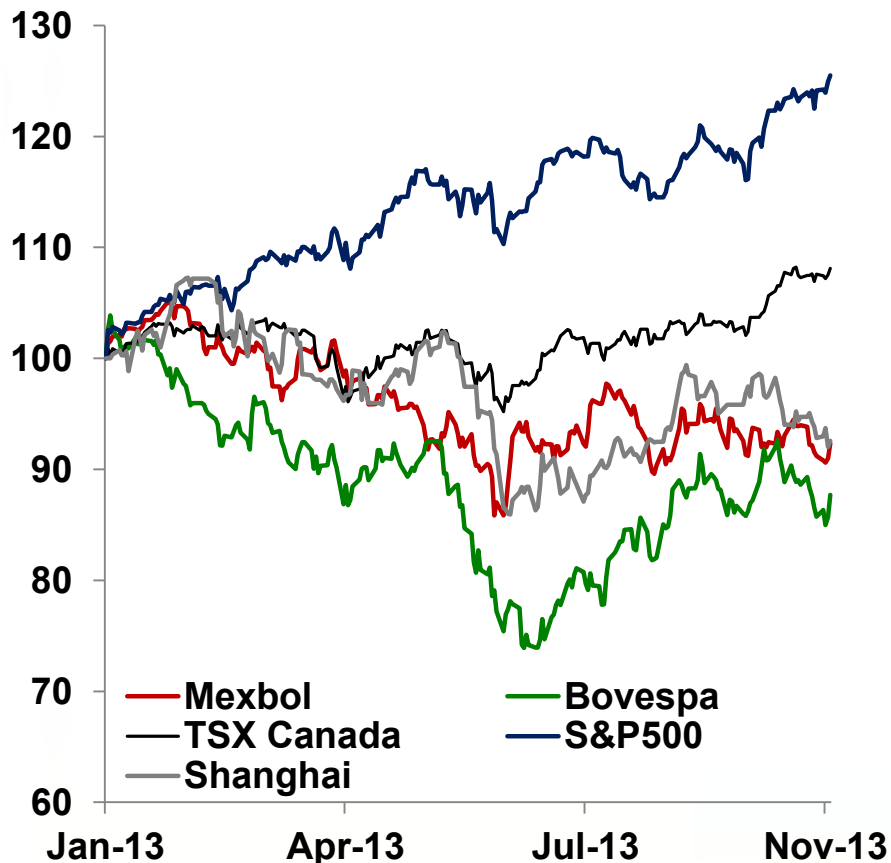
(4) Structural reforms

2014 preliminary outlook

(1) Change in the global philosophy of investment

Selected equity markets

Index (Jan-13=100)



Top 10 FDI destinations

Ranking 2013:	Country:	Ranking 2012:
1	United States	4
2	China	1
3	Brazil	3
4	Canada	20
5	India	2
6	Australia	6
7	Germany	5
8	UK	8
9	Mexico	25
10	Singapore	7

Source: Bloomberg and AT Kearney's FDI confidence index

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2014 preliminary outlook

Mexico has received a plethora of FDI flows into the manufacturing sector

FDI in the automotive industry

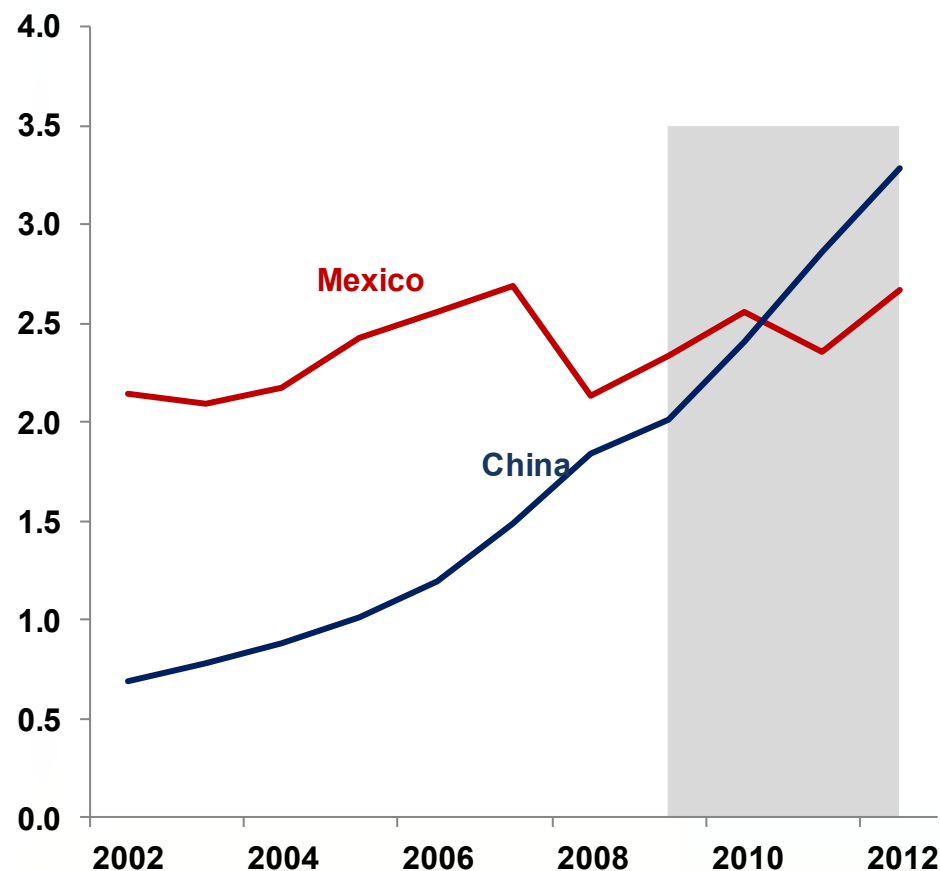
	Date	US\$, mn	State
Total	- -	10,280	- -
Chrysler	1Q09	300	Coahuila
GM	3Q09	300	San Luis Potosi
Ford	4Q09	600	Chihuahua
Ford	4Q09	1,000	Cuatitlán
Chrysler	1Q10	550	Toluca
Volkswagen	1Q10	1,000	Puebla
Nissan	2Q10	600	Toluca
Mazda	4Q10	500	Guanajuato
Volkswagen	4Q10	550	Guanajuato
Toyota	4Q10	150	Coahuila
GM	1Q11	300	San Luis Potosí
Honda	2Q11	800	Guanajuato
Nissan	3Q11	330	Aguascalientes
Daimler & Nissan	4Q11	1,000	- -
Audi	3Q13	1,300	Puebla
BMW	2014	1,000	Querétaro
Honda	2014	470	Guanajuato

Source: Banorte-Ixe

Moreover, it has observed competitiveness gains vs. other “cheap labor” markets ...

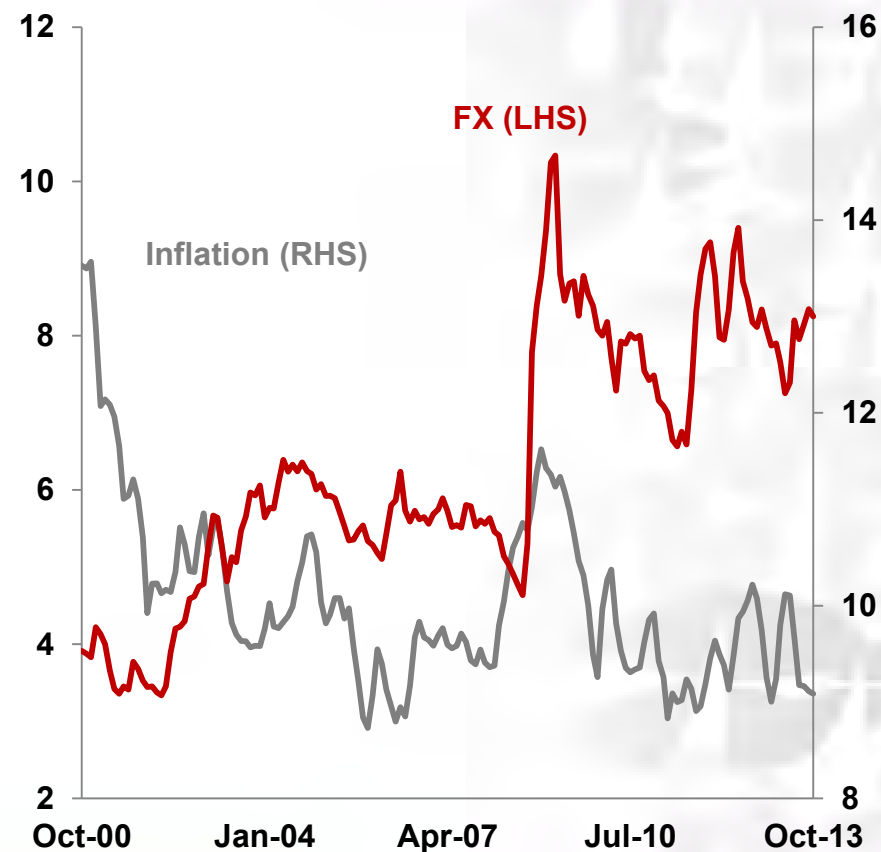
Wages in the manufacturing sector

US\$ per hour



Exchange rate & inflation

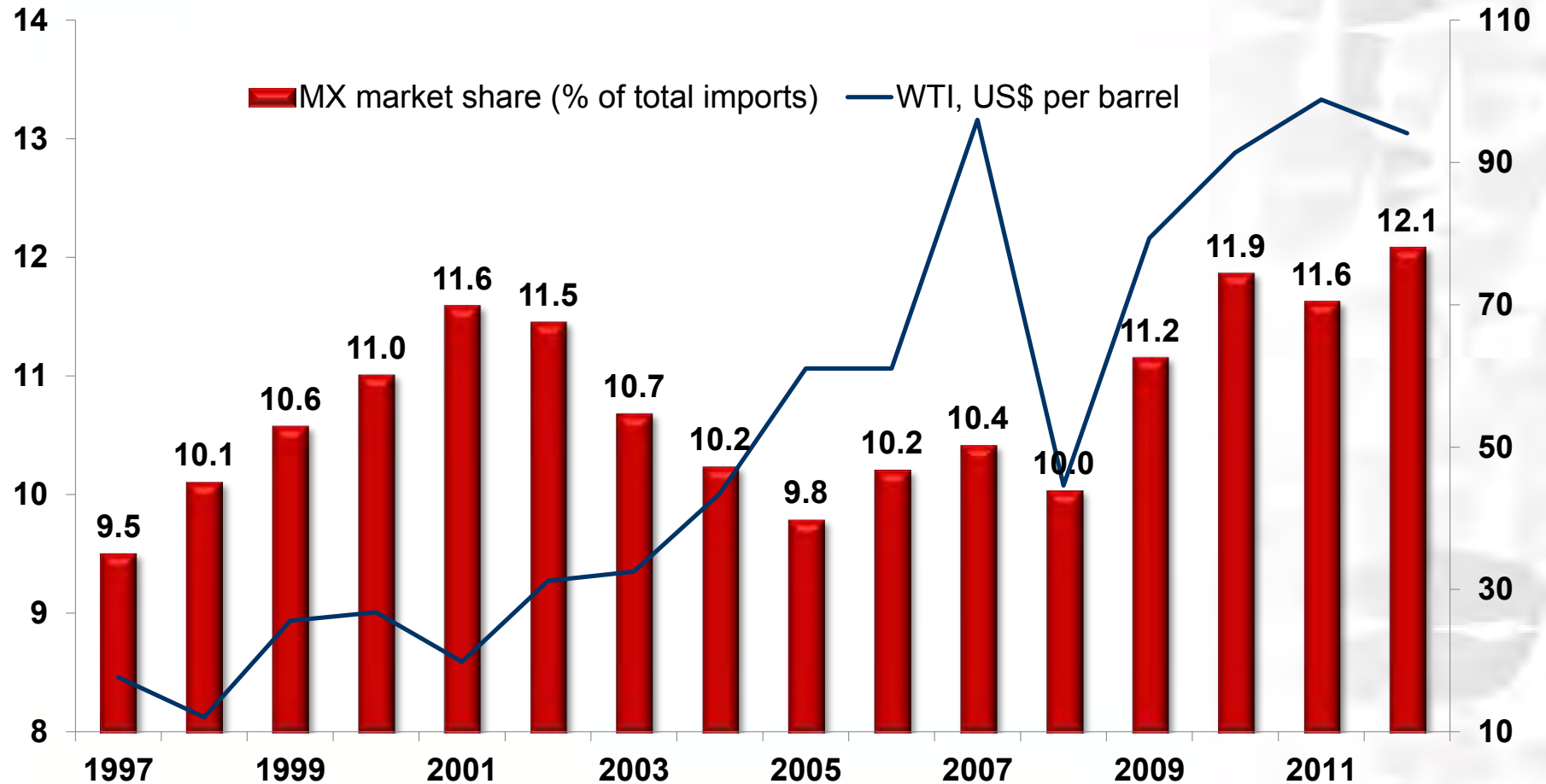
USD/MXN, % YoY



Source: Banorte-Ixe, Banxico, US Census Bureau, ILO, and Bloomberg

...along with lower levels of energy prices worldwide

Mexico market share in US import market



Source: Banorte-Ixe, Banxico, US Census Bureau and Bloomberg

Mexico Moment: From euphoria to disenchantment

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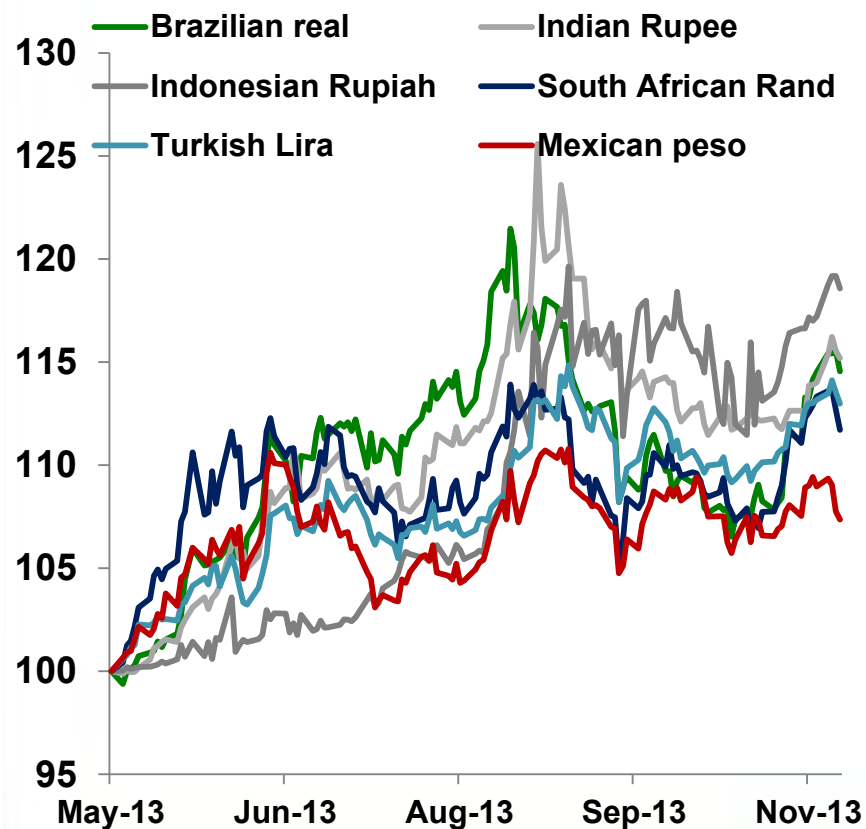
(4) Structural reforms

2014 preliminary outlook

Markets have started to differentiate among emerging markets

Selected exchange rates

Index (May 1, 2013=100)



External accounts

	External debt	Short-term external debt		CAD 2013		FDI 2013
	% GDP	% of GDP	% IR	% GDP	US \$bn	US \$bn
Brazil	20.7	1.8	10.9	-3.5	-76.0	55.0
India	21.0	5.2	35.6	-4.0	-82.4	20.0
Indonesia	28.8	5.1	41.5	-3.2	-29.2	12.0
South Africa	35.9	6.5	55.9	-6.9	-28.1	3.5
Turkey	43.4	14.3	108.1	-6.9	-57.7	10.0
Mexico	10.2	0.3	1.6	-1.6	-2.2	40.5

Source: Bloomberg, JPMorgan and Banorte-Ixe

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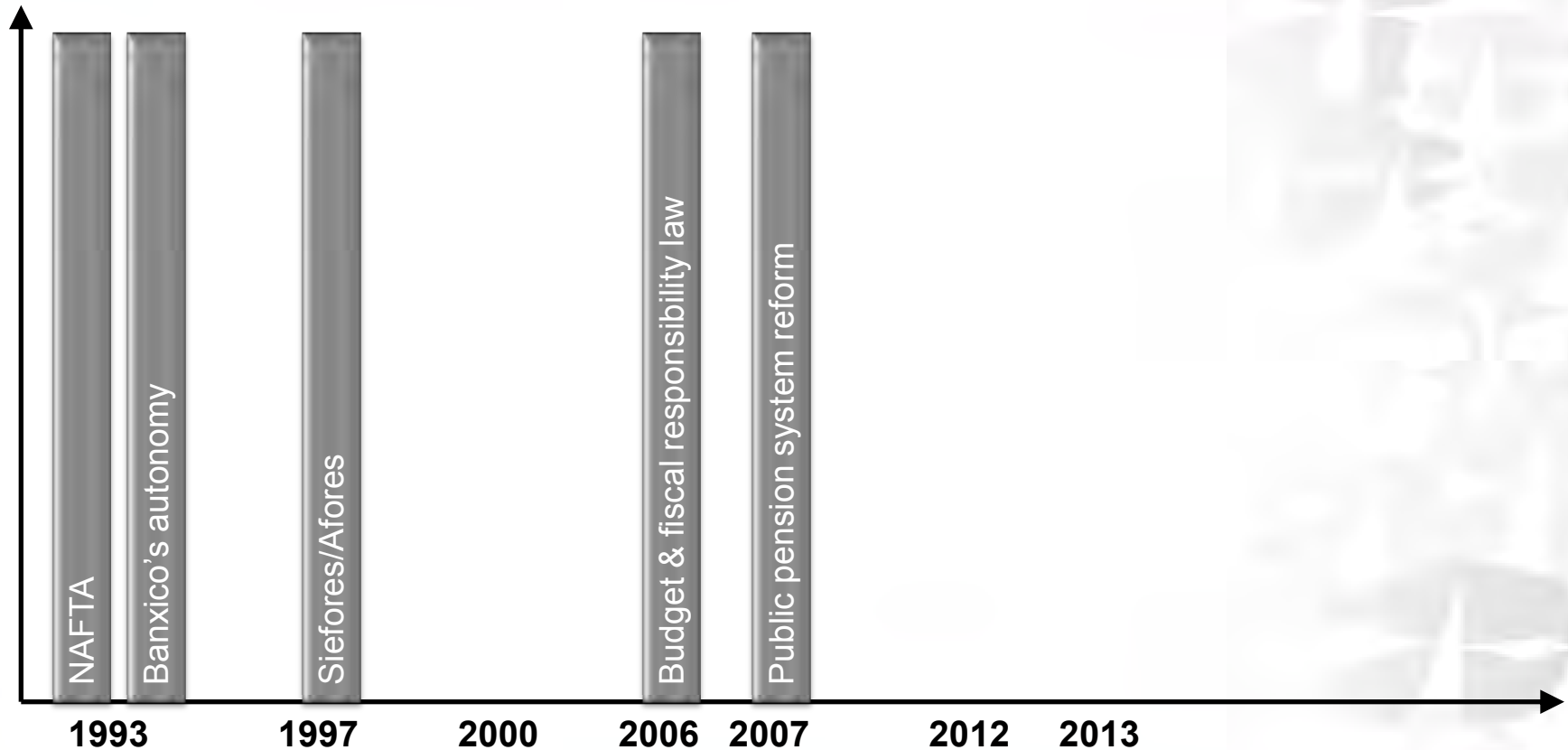
(3) Economic stability

(4) Structural reforms

2014 preliminary outlook

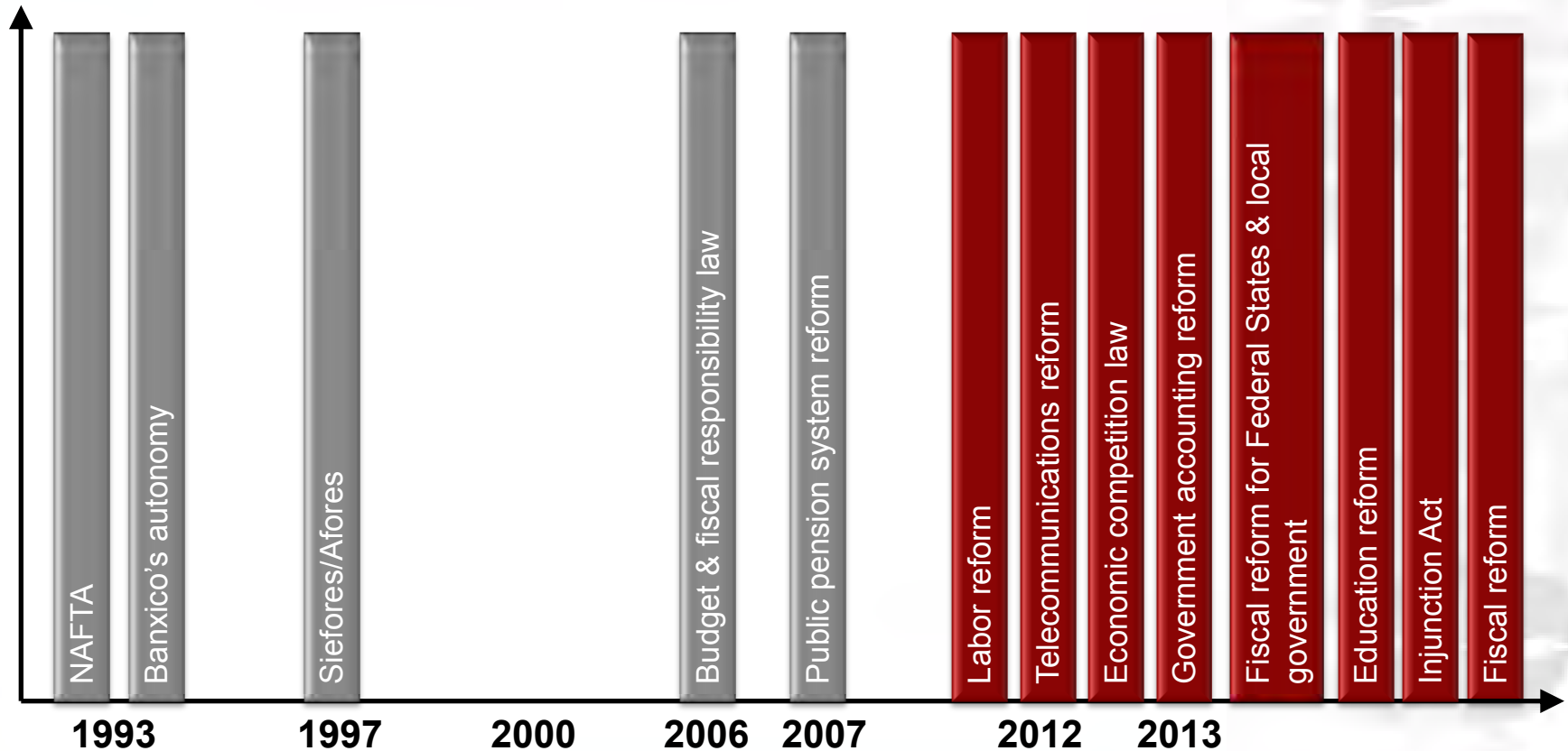


Five “deep” reforms in almost 20 years...



Source: Banorte-Ixe

Five “deep” reforms in almost 20 years vs. 8 reforms in 11 months...that could be 10 or 12 in one year

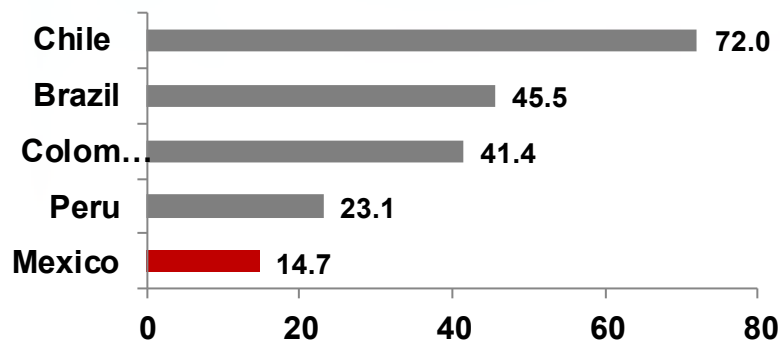


Source: Banorte-Ixe

Bank lending reform

Bank penetration

% GDP



Objective: Increase banking penetration (SMEs, low income families).

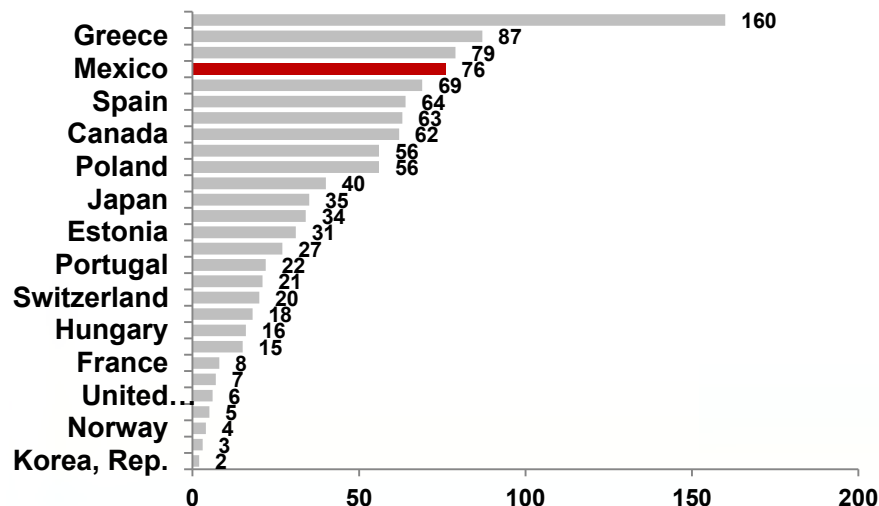
Main point: Improve collateral recovery processes.

Tentative proposal: August 2013.

Tentative approval: December 2013.

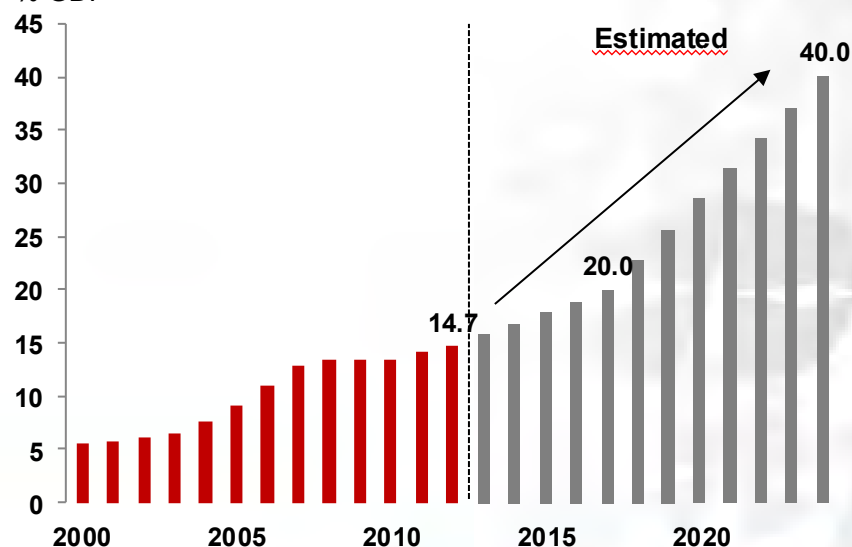
Impact of potential GDP: 0.75%

Enforcing contracts index*



Bank penetration in Mexico

% GDP

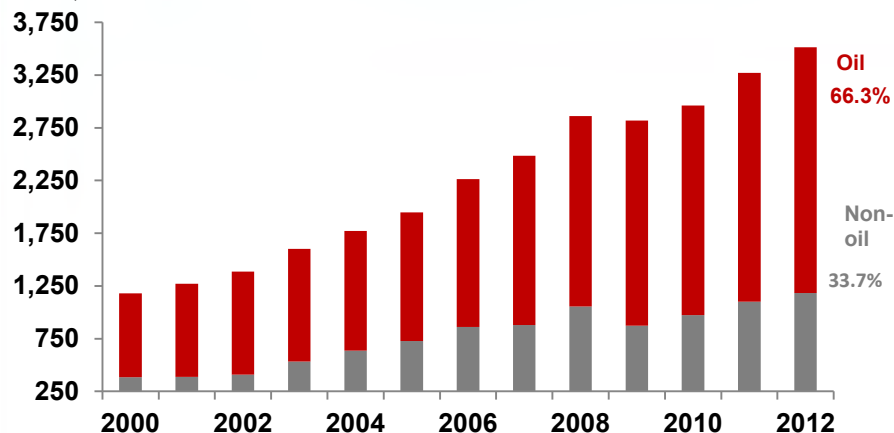


*Merchantile contracts. Source: Banorte-Ixe with data from Banxico and World Bank

Fiscal reform

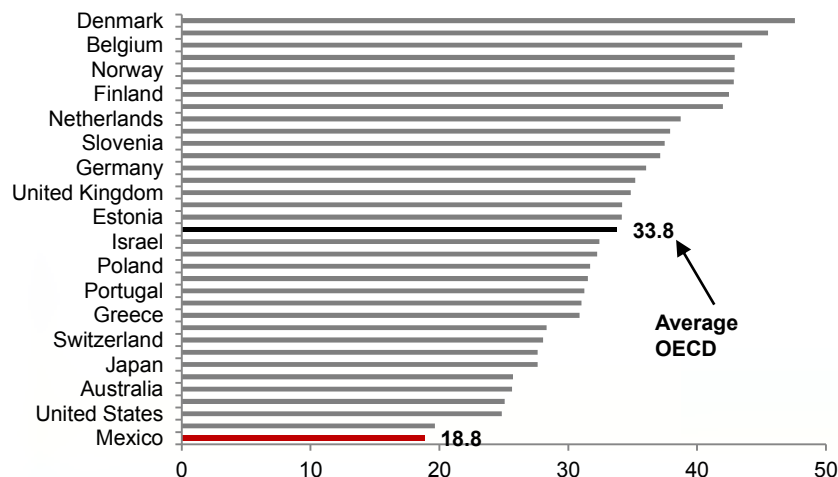
Oil and non-oil revenues

MXN, billion



Tax collection

% of GDP



Objectives: Enhance public finances through the reduction of the dependency on oil revenues, increase tax collection and make spending more transparent.

Main points: Reduce income tax exemptions, simplify tax payments, increase personal income tax rates, impose new excise taxes on junk food and sweetened soft drinks.

Proposal: September 2013.

Approved: October 31.

Impact on potential GDP: 0.5%

Source: Banorte-Ixe with data from OECD and SHCP

Main features...

Even though it did not include VAT on food and medicine items, this is the most significant fiscal reform proposed in the last 15 years.

- Reduces **Pemex** tax burden from 79% to 60%.
- Eliminates **special treatments, preferential regimes, deductions and exemptions** on VAT payments.
- Harmonizes VAT in border towns.
- Incorporates new excise taxes into **sweetened beverages, junk food, and pesticides**.
- Introduces new incorporation regime for small and medium taxpayers.
- Eliminates tax on cash deposits (**IDE**).
- Includes new gasoline price policy and rights on fossil fuels.
- Moves to a more progressive approach to **personal income tax**.

Government intends to raise revenues in 1.4% of GDP

Expected revenues derived from the fiscal reform in 2014

	% GDP
Total	1.4
Corporate income taxes	0.7
Personal income taxes	0.3
VAT	0.3
Non-oil excise taxes	0.2
Gasoline excise taxes	0.4
Rights	0.1
Elimination of IETU	-0.7

Tax collection effects 2014-2018 % GDP

Year	Total revenues	Transfers	Net collection
Total	2.9	1.0	1.9
2014	1.4	0.5	0.9
2015	0.6	0.2	0.4
2016	0.3	0.1	0.2
2017	0.3	0.1	0.2
2018	0.3	0.1	0.2

Source: MoF

Moderate impact on inflation

Direct impact on headline inflation

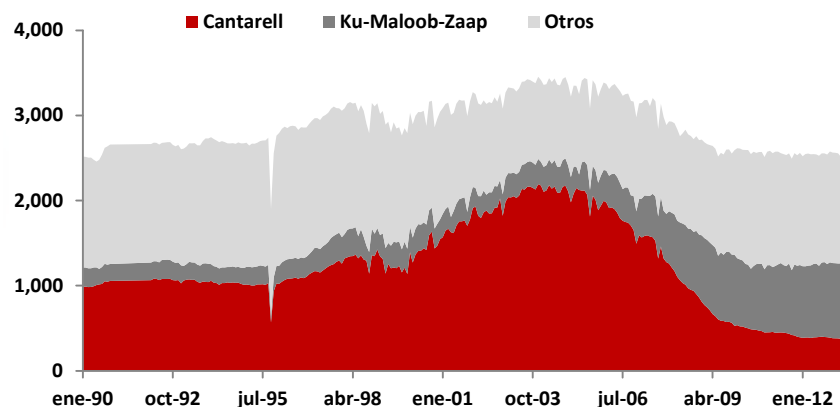
Basis points

	Basis points
Total impact	54.7
VAT in border cities and Quintana Roo	41.1
Elimination of VAT exemptions	4.5
Domestic public transportation	4.5
Pet sales (not in CPI)	- -
VAT on 0% products	0.2
Pet food	0.2
Chewing gum (not in CPI)	- -
New excise taxes	10.5
Tax on carbonated sugar-sweetened beverages (\$1/liter)	3.7
“Junk” food (5%)	6.4
Plaguicides (5%)	0.3
Gasolines	-1.7
“Green” tax	5.8
Monthly slide	-7.5

Source: Banorte-Ixe

Energy reform

Crude oil production



Objectives: Take better advantage of energy resources, in particular fossil fuels

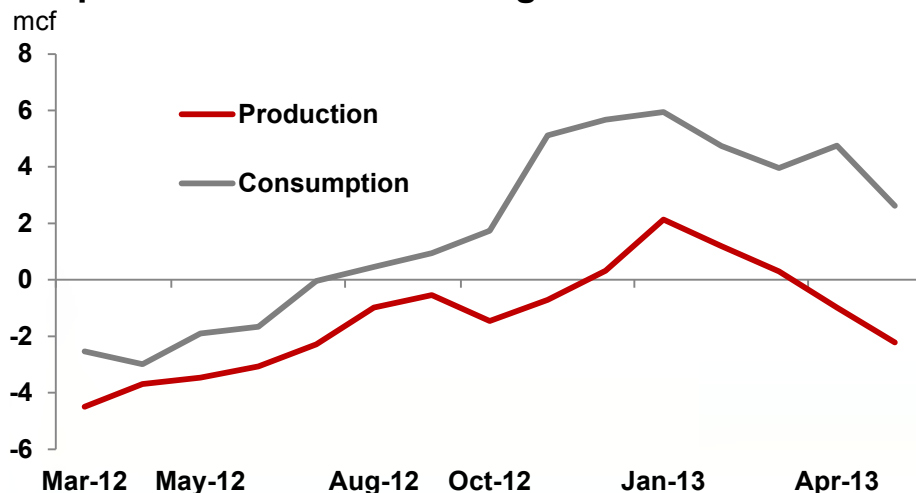
Main points: Allow private –domestic and foreign-, participation in exploration, oil production in deep seas and shale gas. Increase and make more transparent participation mechanisms in exploration and production of crude oil in shallow waters

Proposal: August 2013

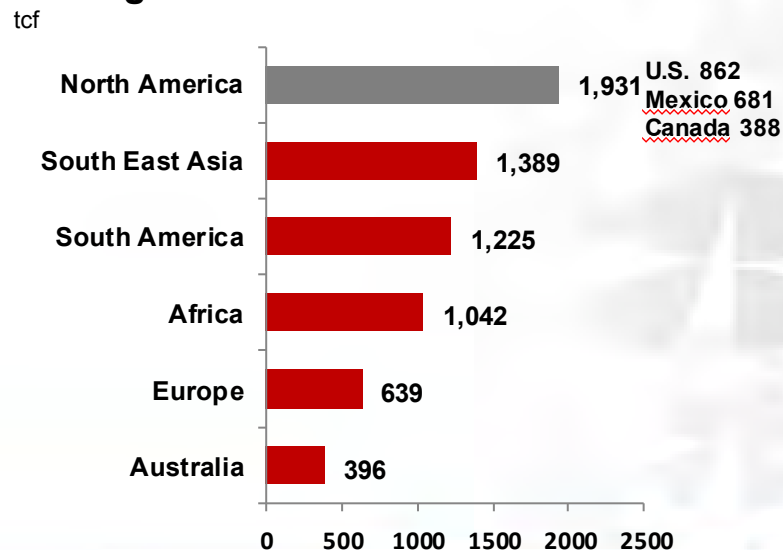
Tentative approval: December 2013

Impact on potential GDP: 1%

Output & demand of natural gas in Mexico






Shale gas reserves



Source: Banorte-lxe with data from SENER

Three parties, three proposals: Main differences

			
Contracts	Concessions⁽¹⁾	Profit-sharing⁽²⁾	No proposal
Main changes to Pemex	Lower fiscal burden	Lower fiscal burden	Lower fiscal burden
Compensation:	Cash & barrels	Cash	N/A
Constitutional changes	Art. 25,27,28	Art. 27 y 28	No
Exploration & production sector	Open, through concessions	Open, through associations	No

Source: Banorte-Ixe⁷ with information from olitical parties

Reforms could add 2.5% to potential GDP

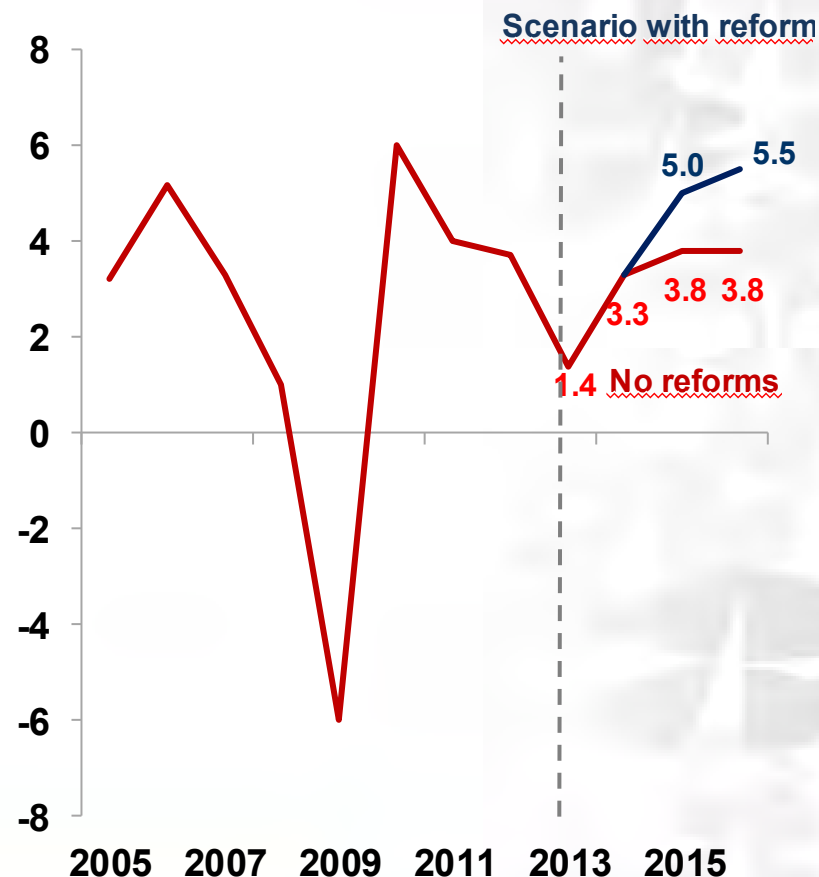
Structural reforms and potential GDP

%, contribution to potential GDP

New potential GDP	5.50
Current potential GDP	3.00
Total (reforms)	2.50
Labor (2012)	0.25
Fiscal (2013)	0.50
Bank lending (2013)	0.75
Energy (2013)	1.00

GDP growth

% YoY



Source: INEGI and Banorte-Ixe.

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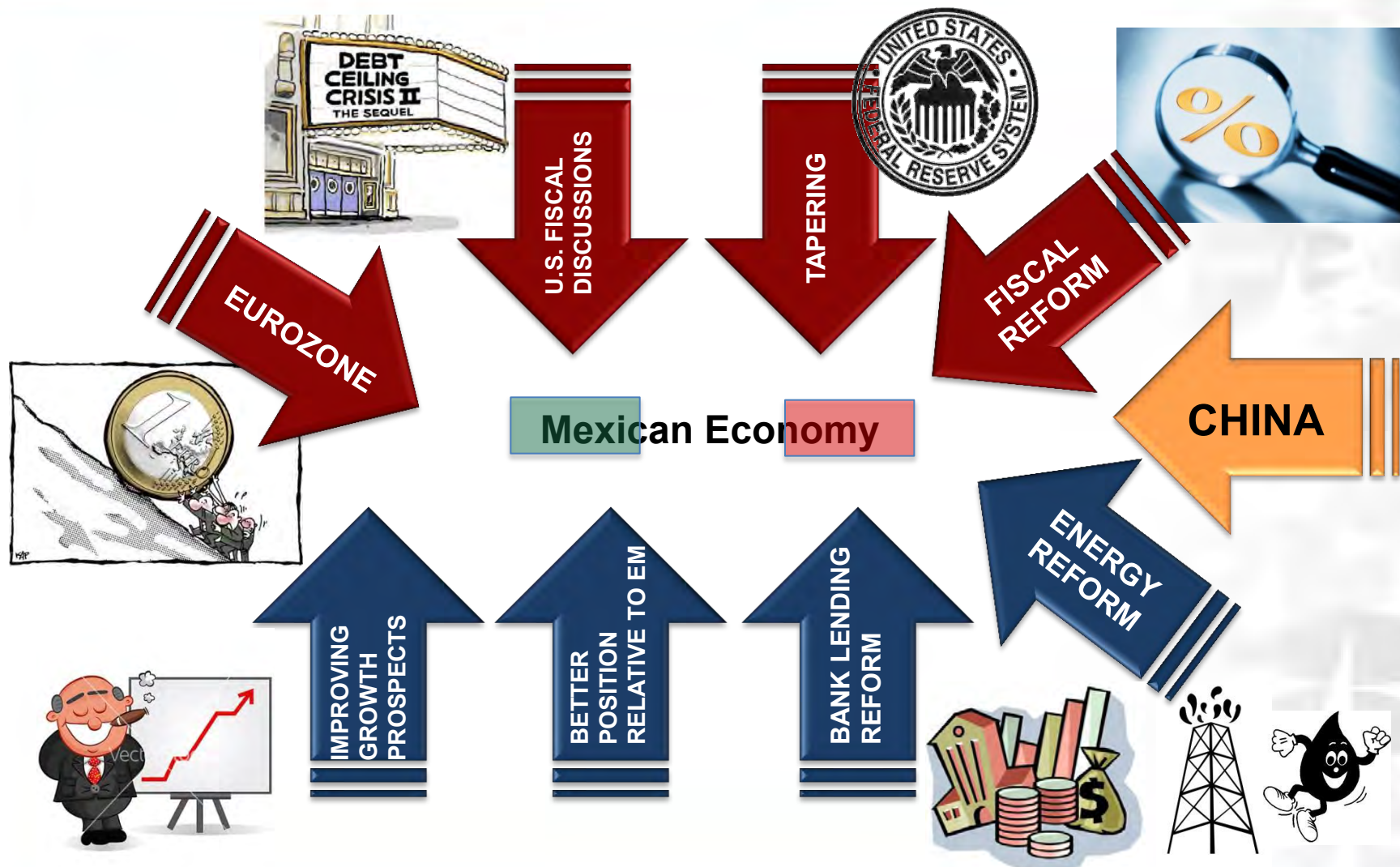
(3) Economic stability

(4) Structural reforms

2014 preliminary outlook



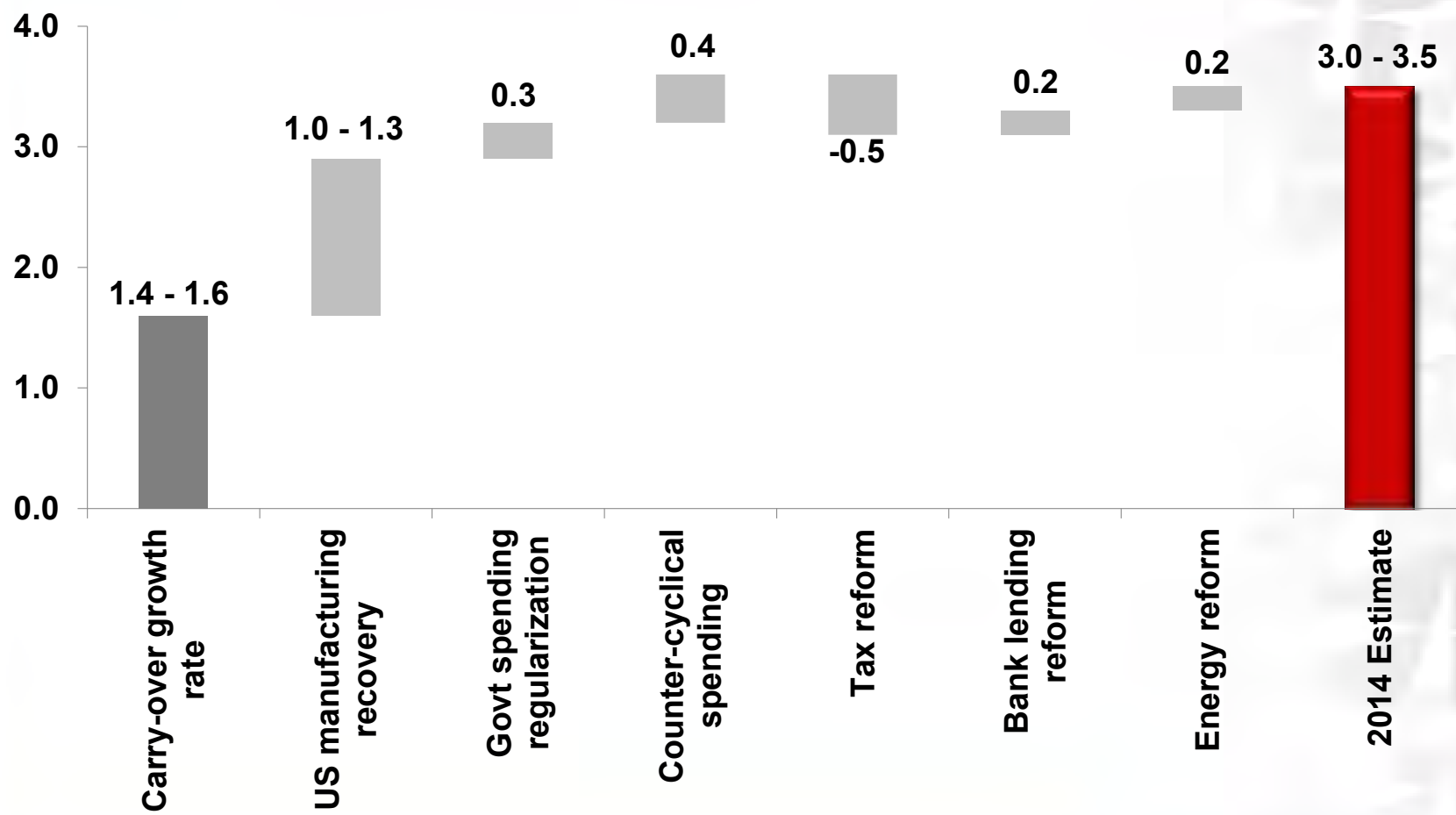
Issues in 2014



For 2014, we expect an economic expansion of 3%-3.5% YoY

Mexico GDP forecast 2014

% YoY



Source: Banorte-Ixe

Banorte Day 2013

GFNorte's Strategy and Financial Performance

Rafael Arana & David Suárez





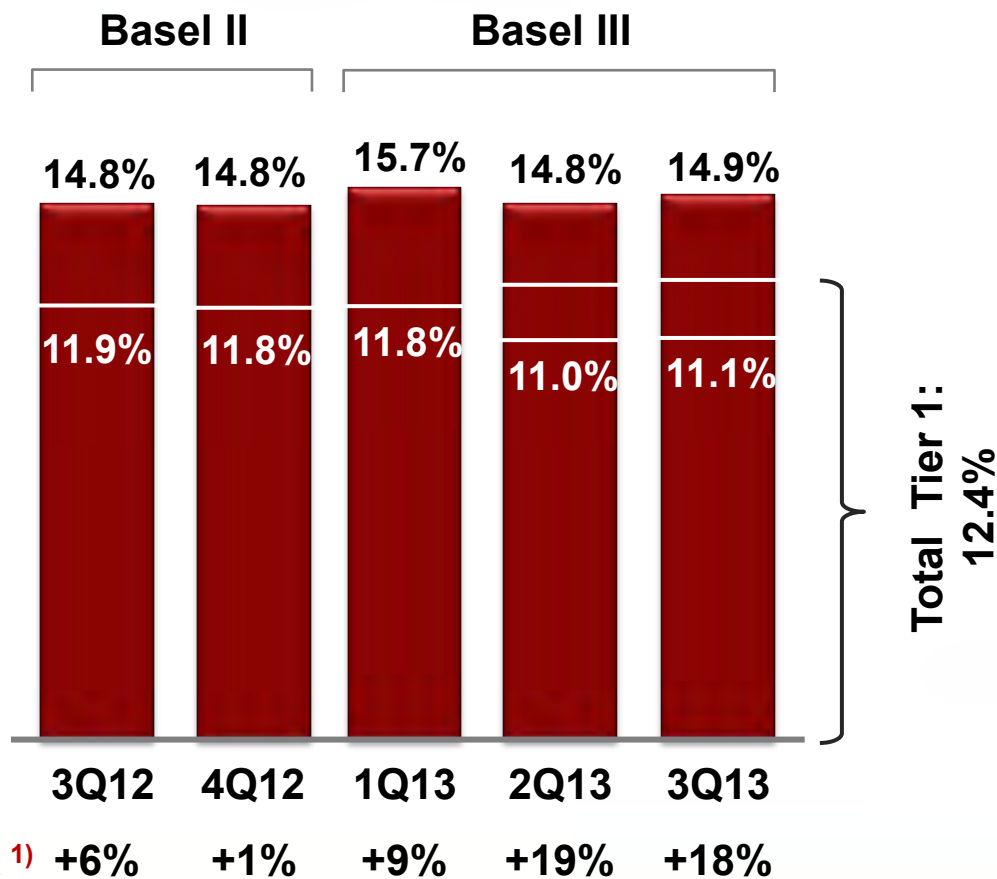
In a challenging economic scenario
**GFNORTE continues to deliver
solid results.**

- 1. Improved balance sheet structure.**
- 2. Positive trend in core P&L numbers.**
- 3. Specific actions to improve key performance metrics are in place.**
- 4. GFNORTE is closing gaps in key business lines against competition at a sustainable pace.**
- 5. NPL's back to pre homebuilder crisis levels.**
- 6. GFNORTE is transforming itself from a successful product-driven institution to a sustainable and diversified customer-centric organization.**

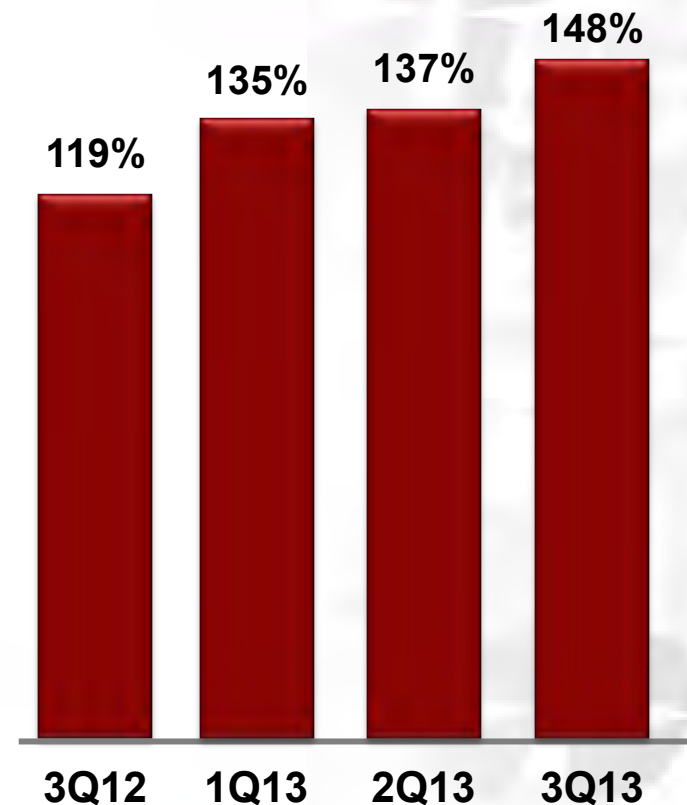
Balance Sheet Management

Capital & Liquidity

Quality of Capital



Liquidity ²⁾



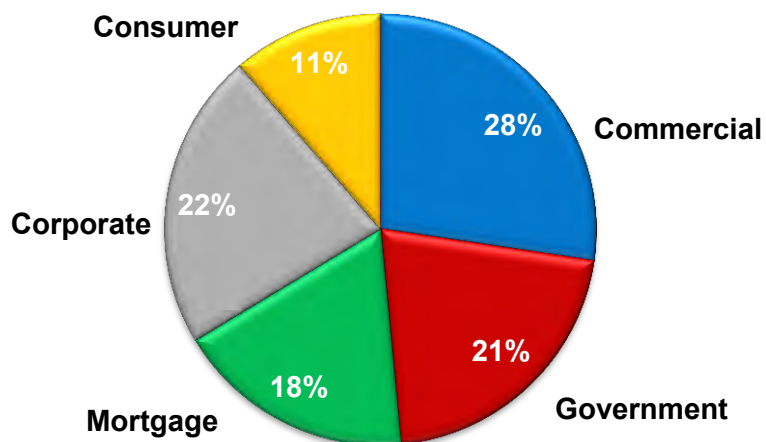
1) RWA= Risk Weighted Assets

2) Liquidity Ratio: Liquid Assets / Liquid Liabilities. Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale. Liquid Liabilities = Demand Deposits + Loans from banks and other organizations with immediate call option + Short term loans from banks.

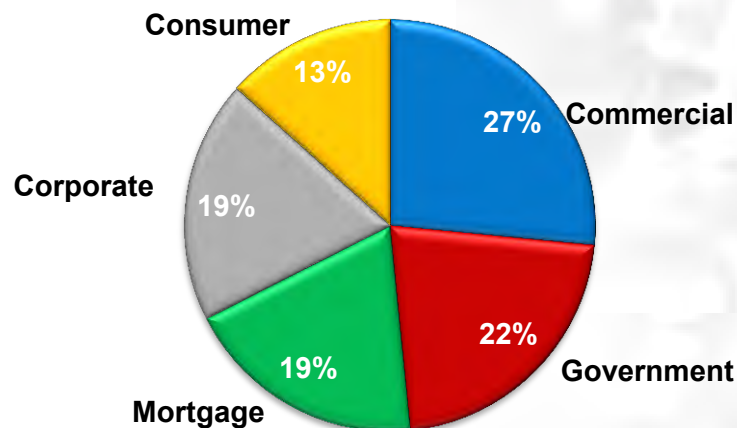
Asset mix and Funding

Loan Portfolio Structure

3Q12: \$397 Billion Pesos



3Q13: \$428 Billion Pesos



Core Deposits / Total Deposits

Demand

Time

3Q12

81%

61%

39%

100%

3Q13

85%

65%

35%

100%

Equity Offering

Use of Proceeds:

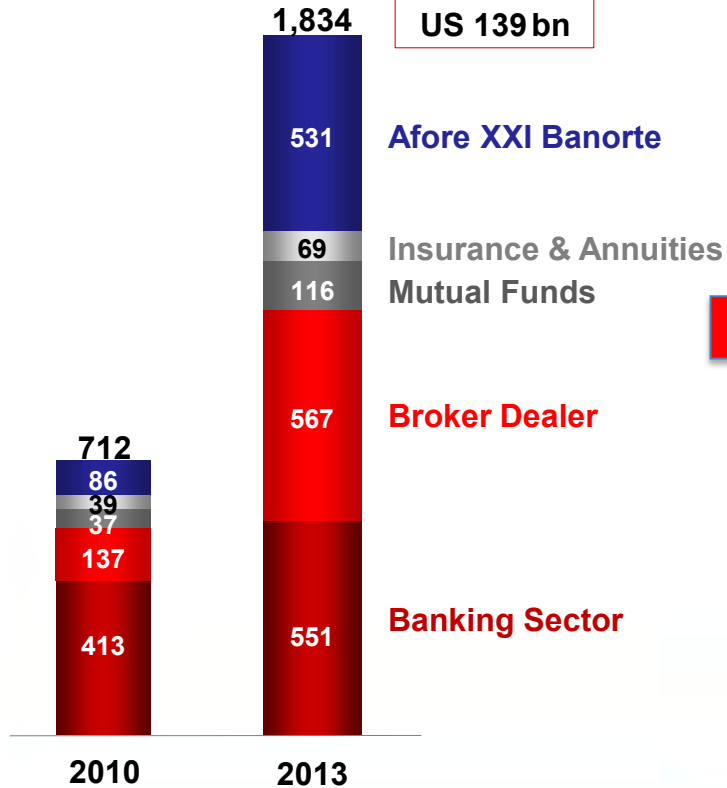
- **Payment of USD \$800 million dollars syndicated loan.**
- **Pre-payment of USD \$120 million dollars Subordinated Obligations.**
- **Acquisition of Generali's minority interest for USD \$858 million dollars:**
 - **Insurance: USD \$637 million dollars.**
 - **Annuities: USD \$221 million dollars.**
- **Liquidation of the IFC's investment in Banorte and pre-payment of other subordinated obligations.**

Group's architecture

**Delivering a more predictable set of earnings
and more rationale use of capital**

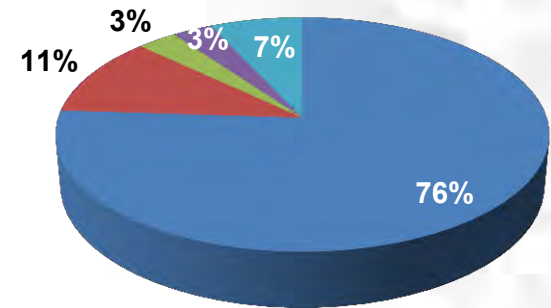
AUMs

Billion Pesos

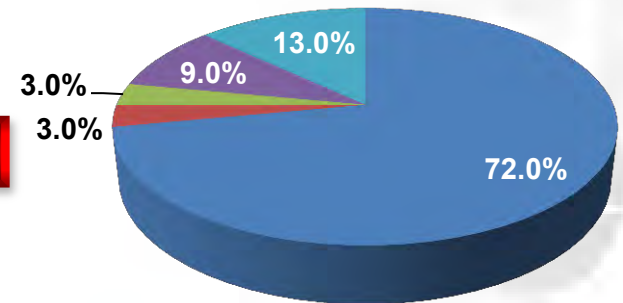


Earnings Contribution

2010



2013



Banking Sector Broker
Insurance & Annuities Afore
Other

Positive trend in core P&L numbers

Million Pesos

	3Q12	2Q13	3Q13	Change QoQ	YoY
Revenues (Total Income)	11,491	13,271	12,973	(2%)	13%
<i>Net Interest Income</i>	<i>8,054</i>	<i>9,281</i>	<i>9,640</i>	<i>4%</i>	<i>20%</i>
<i>Non Interest Income</i>	<i>3,437</i>	<i>3,990</i>	<i>3,333</i>	<i>(16%)</i>	<i>(3%)</i>
<i>Fees</i>	<i>1,530</i>	<i>1,875</i>	<i>1,844</i>	<i>(2%)</i>	<i>20%</i>
Expenses	6,232	6,687	6,613	(1%)	6%
Provisions	1,524	3,132	1,903	(39%)	25%
Net Income	2,780	3,220	3,526	9%	27%
Core Earnings ¹⁾	1,829	1,336	2,967	122%	62%
NIM	4.0%	4.3%	4.4%	+0.1pp	+0.4 pp

1) Core Earnings: Net Interest Income + Net Service Fees - Provisions - Non Interest Income

Key performance metrics

	3Q12	2Q13	3Q13
ROTE	19.1%	19.6%	18.1%
ROA	1.3%	1.4%	1.5%
NPL	1.9%	2.2%	3.2%
EPS	1.19	1.38	1.32
Cost to Income	54.2%	50.4%	51.0%

Specific actions to improve:

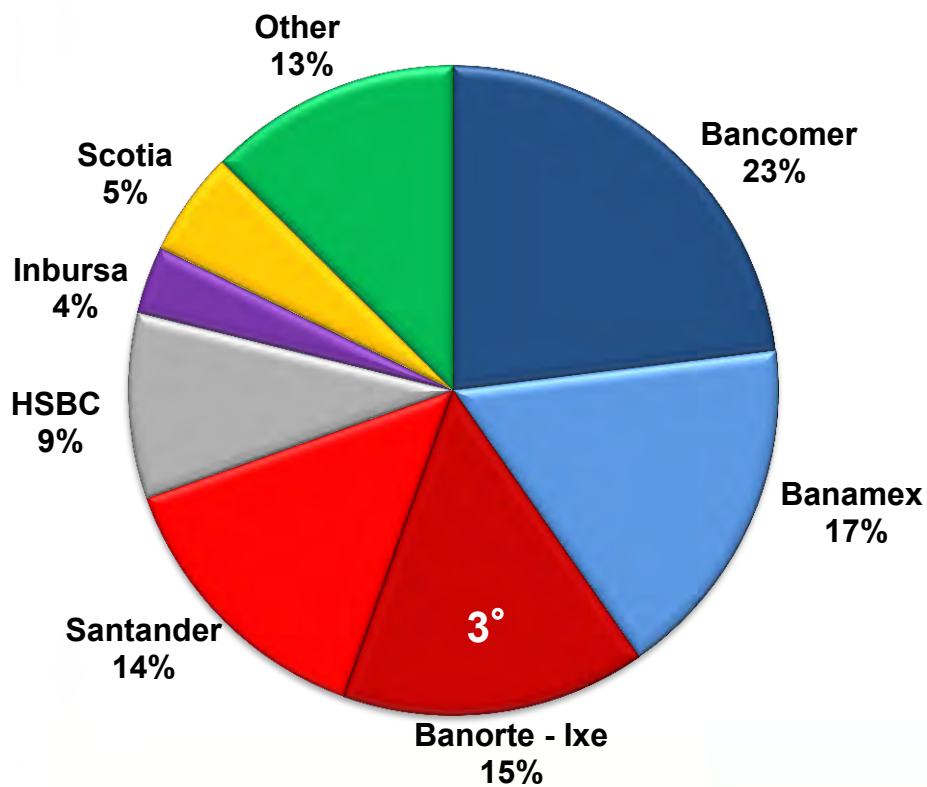
- Profitability
- Cost to Income
- Recurrent income by taking advantage of the architecture of the Group

Are in place

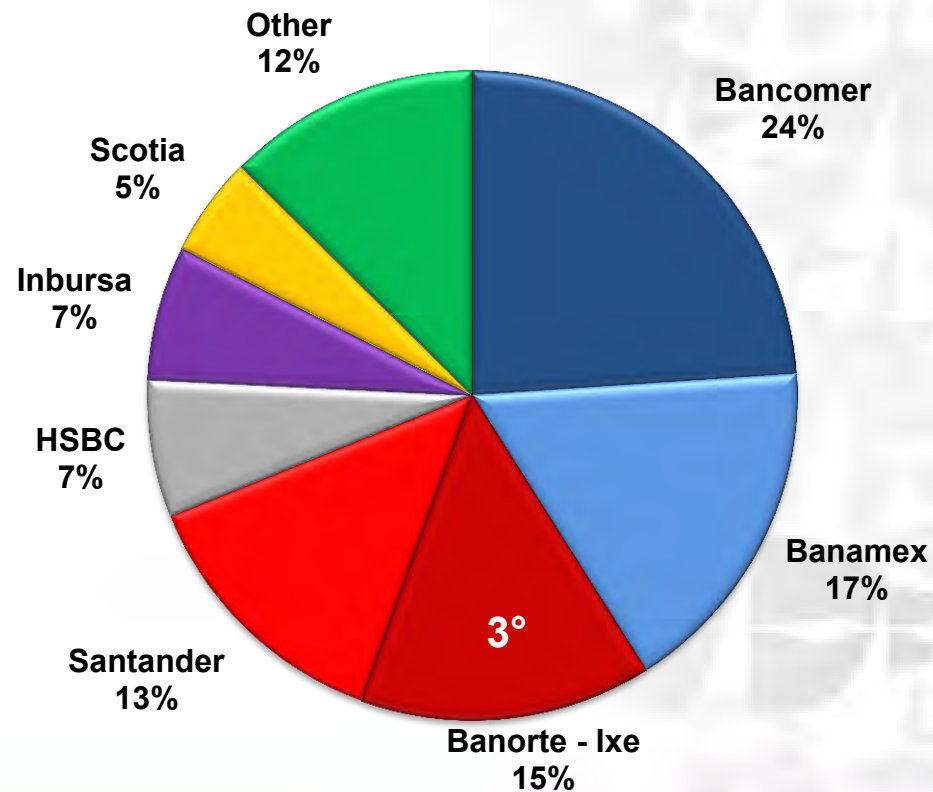
GFNORTE is closing gaps in key business lines against competition at a sustainable pace.

Market Share

DEPOSITS



LOANS



Source: CNBV. Data as of September 2013

Market Share

	Consumer		C. Cards		Mortgage		Commercial		Government	
	Sep-12	Sep-13	Sep-12	Sep-13	Sep-12	Sep-13	Sep-12	Sep-13	Sep-12	Sep-13
Bancomer	24.6%	24.1%	35.2%	33.5%	34.1%	30.9%	19.0%	18.9%	24.8%	26.0%
Banamex	21.0%	20.2%	30.2%	31.6%	15.1%	15.9%	14.1%	14.6%	10.9%	13.0%
Banorte- Ixe	9.1%	10.5%	6.6%	7.1%	15.9%	16.7%	14.5%	13.4%	21.8%	25.7%
Santander	8.6%	8.2%	13.7%	13.5%	15.5%	15.9%	14.3%	15.1%	9.5%	8.7%
HSBC	5.7%	6.0%	6.5%	6.3%	4.4%	4.9%	8.8%	8.1%	7.3%	6.0%
Scotia	4.3%	6.0%	1.6%	1.6%	10.9%	11.0%	3.6%	4.3%	1.5%	1.1%
Inbursa	3.6%	4.5%	0.0%	0.0%	0.3%	0.2%	11.2%	10.8%	3.7%	7.4%
Other	23.1%	20.6%	6.2%	6.5%	3.8%	4.4%	14.6%	14.8%	20.4%	12.1%
Market Position	3°		4°		2°		4°		2°	

Source: CNBV. * Commercial banks' figures consolidated with SOFOMs, where applicable.

NPLs back to pre-homebuilder crisis levels

Actions

- Return of asset quality to pre - homebuilder level.
 - Expected NPL ratio of **2.0% - 2.2%**.
 - Overall expected losses below **2%**.
- Taking advantage of Solida's capabilities, a dedicated team to obtain value from the collateral and projects now managed and owned.
- Key metrics:
 - Additional reserves.
 - Worst case scenario (June 2013): Ps **1.7 billion**.
 - Current estimate: Ps **1.4 billion**.
- Carrying cost and cost of capital.

Strategy in Action:
**GFNORTE is transforming itself
from a successful product-driven
institution
to a sustainable and diversified
customer-centric organization**

Transforming the organization

The transformation journey has begun:

- 1. A product, segment, channel, structure is in place since June 2013.**
- 2. Around 380 branches are being managed under a segmented profit, client, centric model.**
- 3. Segment value propositions soon to be delivered to market.**
- 4. A support – service structure recently approved to accelerate the back office and support areas transformation.**

- **The partnership with IBM is in execution mode to deliver in the First Phase 3 main components that will be explained in detail in the presentation this morning.**

Agenda

9:00 - 9:15 Welcoming Remarks | **Guillermo Ortiz Martínez**

Part I: The Mexican Context and the GFNorte Strategy

9:15 - 9:35 Mexico's Structural Reforms and Economic Outlook | **Gabriel Casillas**

9:35 - 9:55 GFNorte's Strategy and Financial Performance | **Rafael Arana & David Suárez**

9:55 - 10:20 Q&A

10:20 - 10:30 Coffee Break

Part 2: Driving the Transformation at the Business Unit Level: Strategy, Structure and Expected Results

10:30 - 10:50 Retail Banking | **Jesús Garza & Manuel Romo**

10:50 - 11:10 Wholesale Banking | **Marcos Ramírez**

11:10 - 11:20 The New Retail Banking Model | **Andrés Aymes**

11:20 - 11:40 SUMANDO Project: IT and Process Transformation | **Javier Salgado, Ignacio Aldonza & Concepción Borjón**

11:40 - 12:00 Afore, Insurance and Annuities | **Fernando Solís Soberón**

12:00 - 12:25 Q&A

12:25 - 12:40 Closing Remarks | **Alejandro Valenzuela**

12:40 - 13:30 Lunch: Informal Dialogue | **Senior Management**

Banorte Day 2013

Retail Banking

Jesús Garza



Market Share Overview

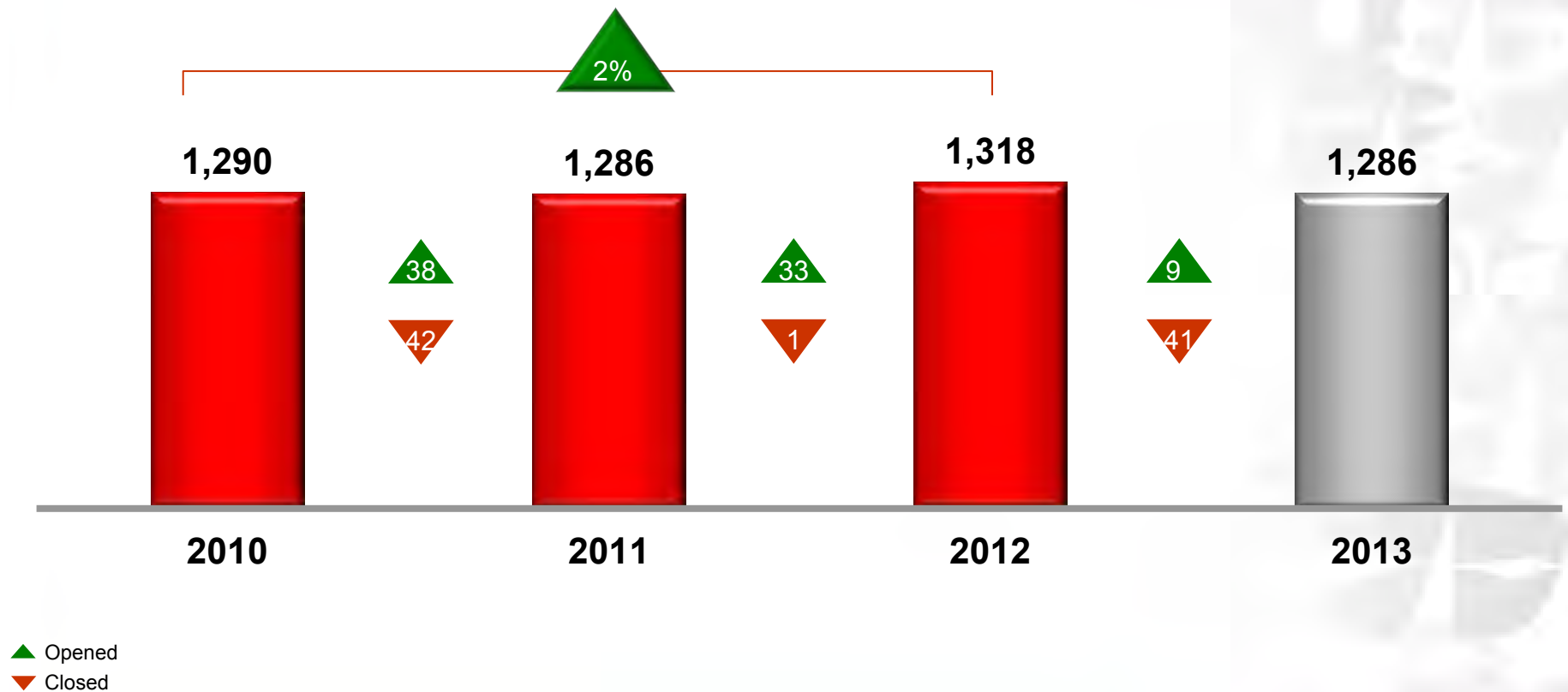


	3Q13	MS%
Branches	1,286	15.1%
Employees	10,551	13.4%
ATMs	6,749	18.5%
POS	133,501	21.0%

Source: Mexican Bank Association (ABM).

Branches

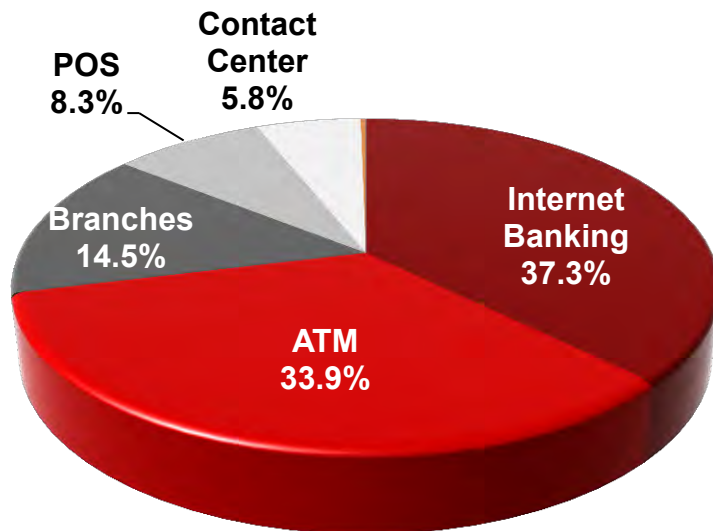
Growth Trends and Expansion Plans



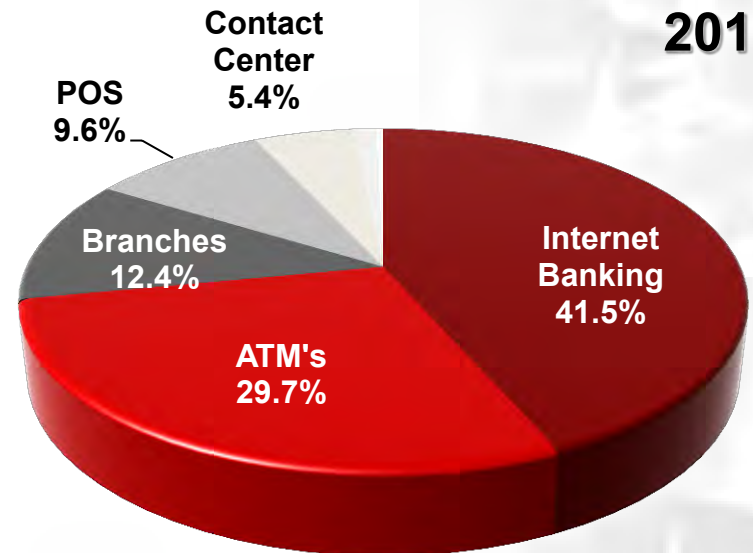
Transactions by Delivery Channels

Channels Our Clients Are Using

2011

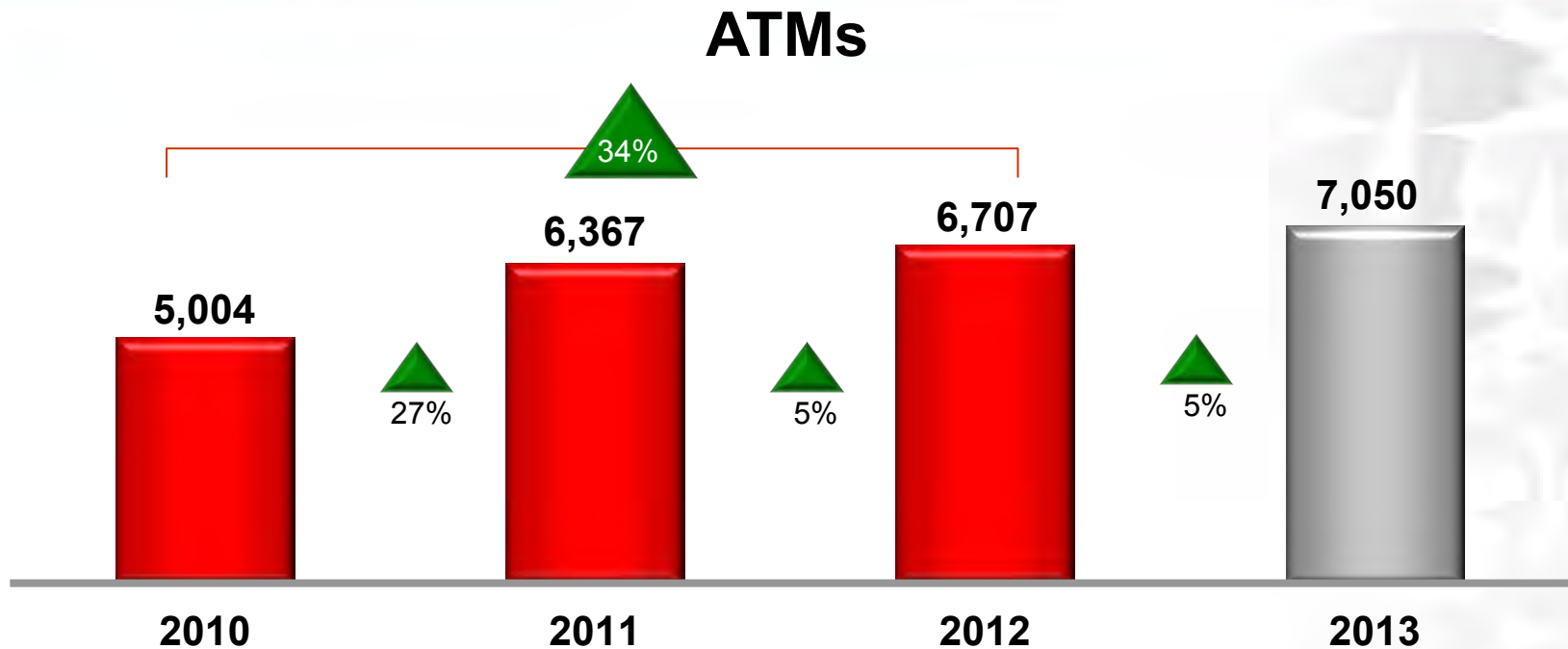


2013



Thousands of Customer Contacts

Distribution Channels - ATMs



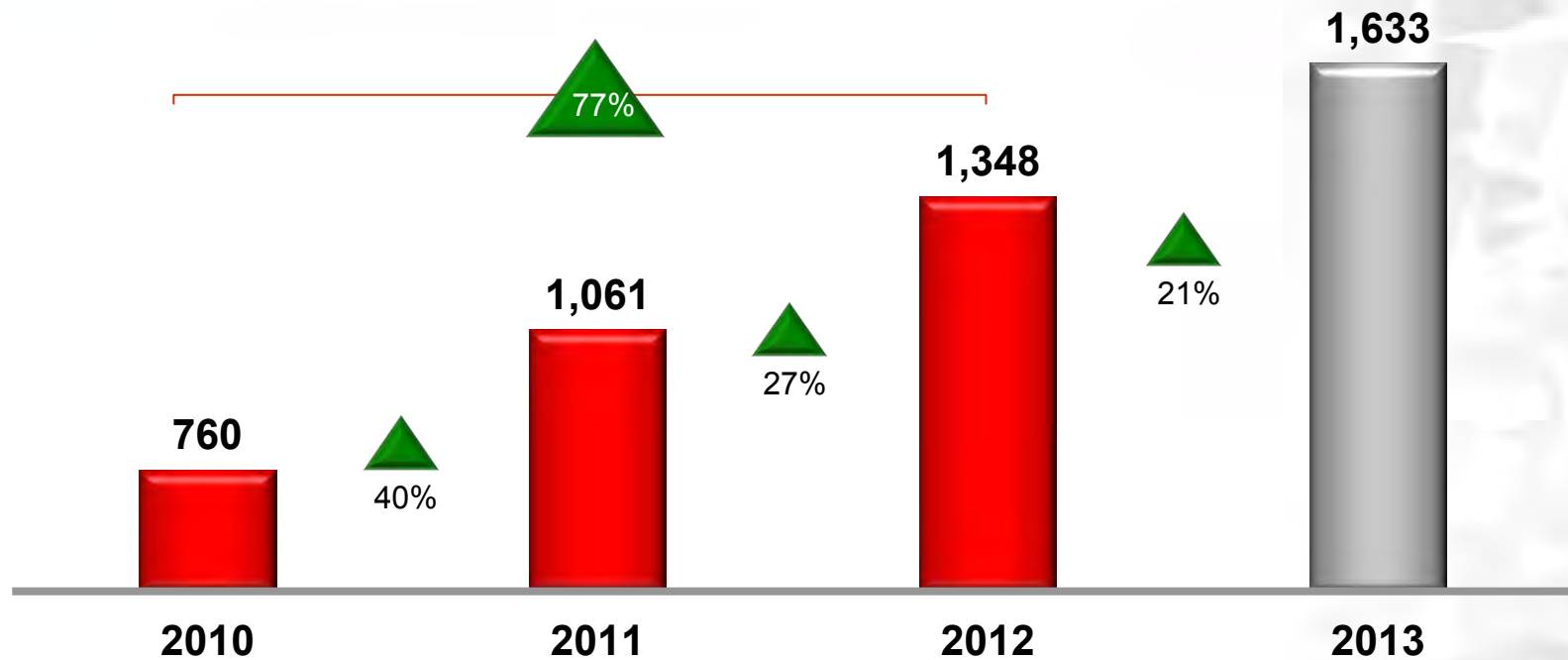
Since 2013 new ATM functionalities include:

- Cash deposits
- Withdrawal without plastic
- Sales of insurance policies

Active ATM's

Distribution Channels - Internet Banking

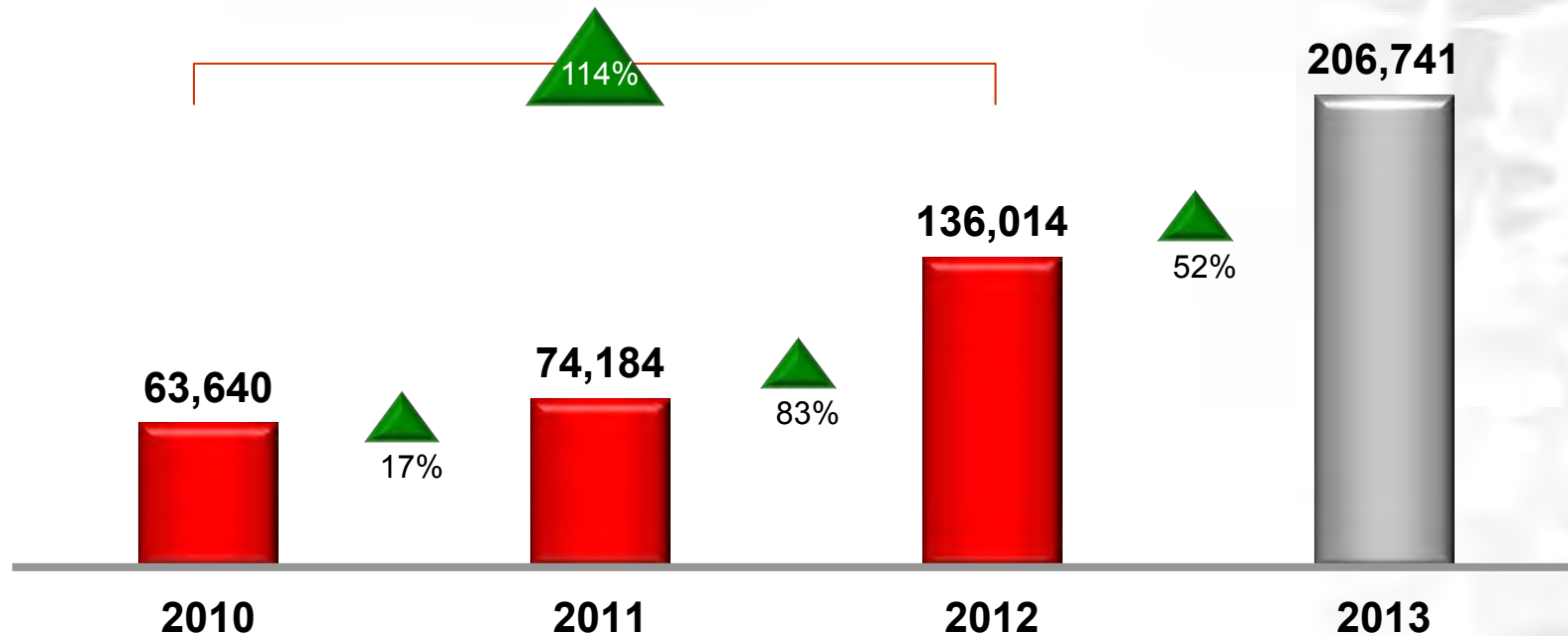
Internet Banking



Over 100 services available.

Thousand of Active Clients

Mobile Banking



Extensive range of services through a secure proprietary technology platform that allows banking operations from mobile phones, providing flexibility to our customers.

Active Clients

Pagomóvil Banorte

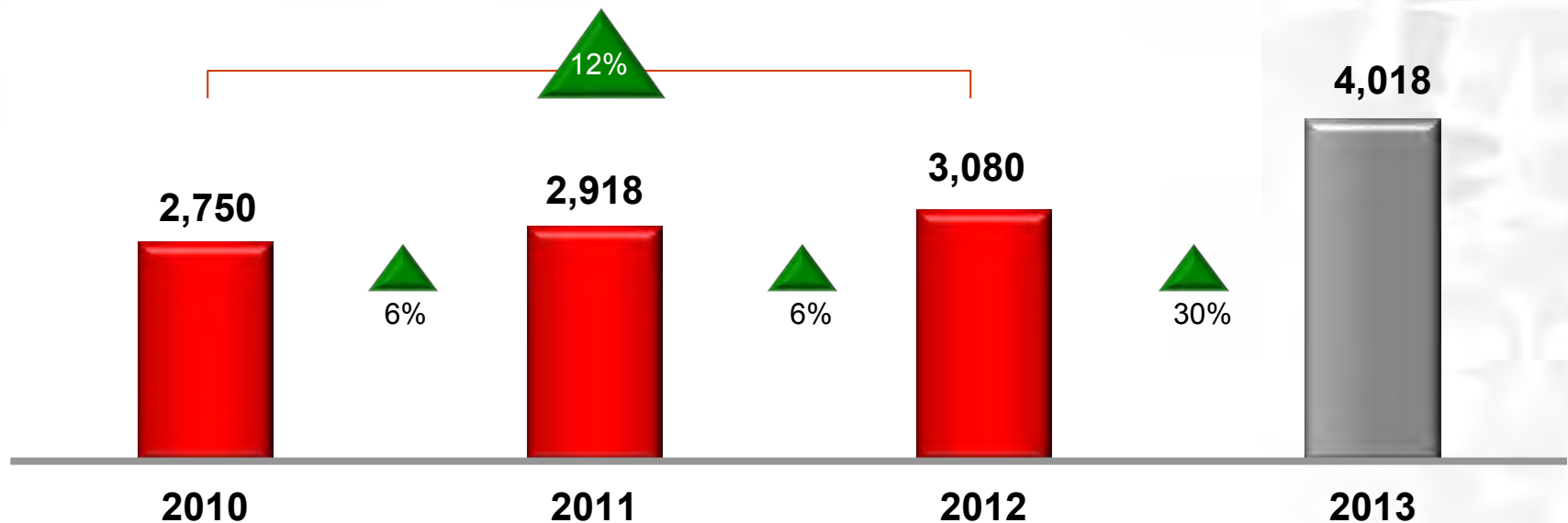


Secure proprietary mobile application allows customers to make payments without a debit or credit card

Available in the most important retail chains, such as:



Correspondent Banking



Current Correspondents:

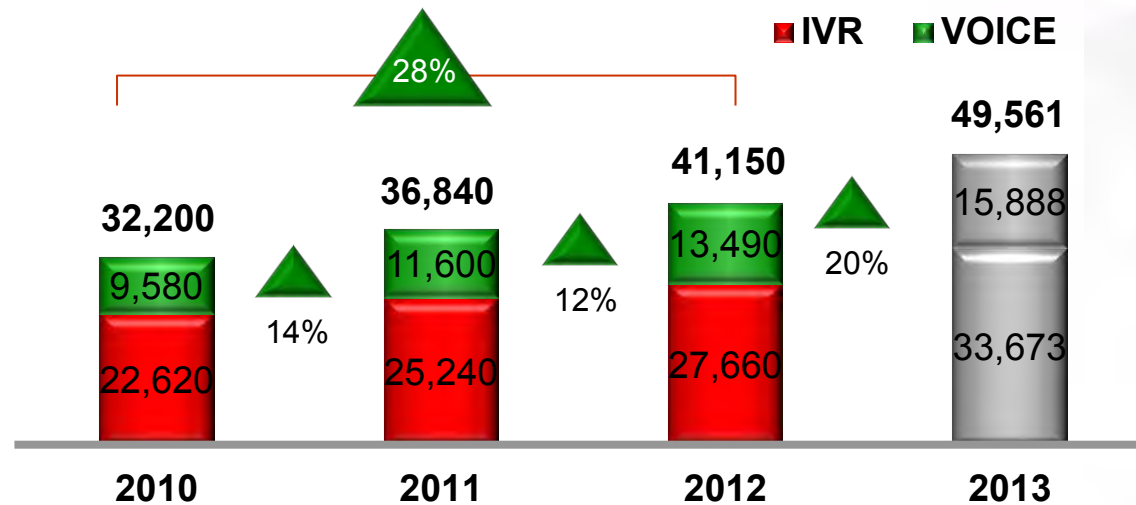
- **Telecomm Telégrafos**
- **7-Eleven**
- **Tiendas Extra**

Main services:

- **Deposits**
- **Services & Credit Card payments**
- **Cash withdrawal**
- **Balance and account activity viewing**
- **Opening & Replacement of Mifon Accounts**
- **Payroll withdrawals**

Distribution Channels - From Call Center to Sales Center

Contact Center



Call Center services:

- Provision of information to customers and prospects on financial products
- Customer development
- Customer retention
- Information of possible fraud alerts
- Early collection of loans
- Follow-up and resolution of complaints



Sales Center services:

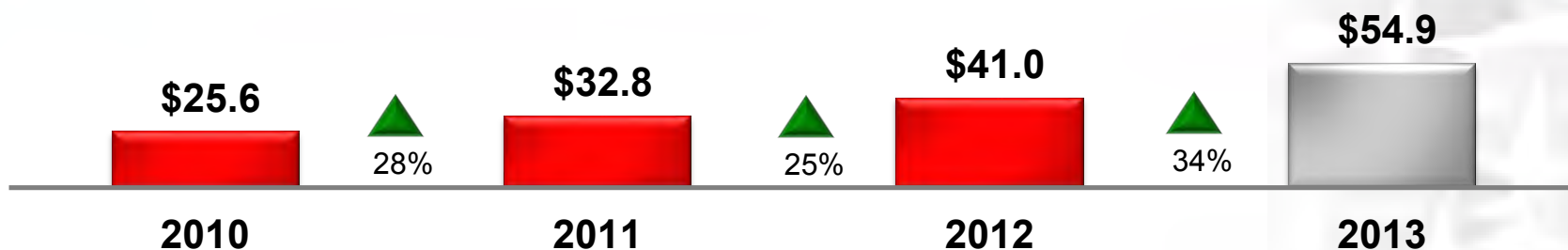
- Cross sales of insurance and credit cards

2013 results:

- Over 27,000 insurance policies and 7,000 credit cards cross-sold

Thousands of Calls

Enhanced Branch Productivity



Loans	2010	2011	2012	2013	CAGR 2010 / 2013
Mortgage	\$ 11.1	\$ 12.3	\$ 14.5	\$17.1	15% ▲
Car	\$ 5.4	\$ 6.3	\$ 7.1	\$8.6	17% ▲
Payroll	\$ 9.2	\$ 14.2	\$ 19.5	\$29.2	47% ▲
Total Loans	\$ 25.6	\$ 32.8	\$ 41.0	\$54.9	29% ▲
Credit Card (Units)	270	305	332	396	14% ▲

Amounts in million pesos

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Consumer Banking

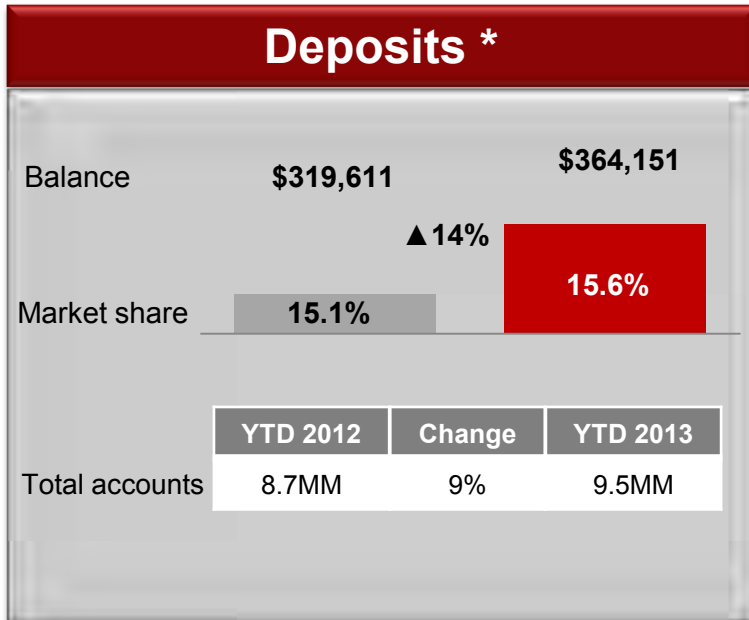
Manuel Romo



Strong Fundamentals...

- **Consistent YoY organic growth in 2013:**
 - **14% on deposits and 18% on loans**
 - **Top 3 market share in most businesses**
 - **Enhance focus on growth of Credit Cards and Investment Funds**
- **High quality portfolio with strong collection practice:**
 - **2.2% NPLs vs. 4.4% market average**
- **Multibrand single core platform:**
 - **Heavy investment in credit cards, payroll and SME systems to support accelerated growth**
- **Significant potential for future growth: 12.8 million customers with an average of 1.8 products per customer**

Deposits



* As of September 2013
Figures in million pesos

Drive 10-12% growth in 2014:

- **Revamped transactional banking**

Platform upgrade (credit, debit, prepaid) to leverage merchant acquiring business (+154,000, 12-15% YoY growth) and POS usage.

Focus on Customer Retention

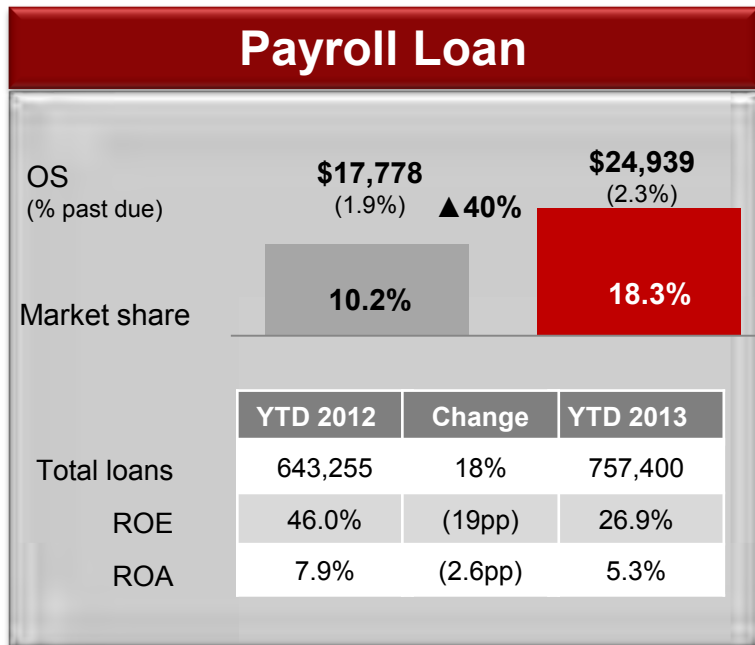
Credit Cards			
OS (% past due)	\$17,272 (5.3%)	▲ 22%	
			\$21,101 (6.0%)
Market share	6.5%		7.0%
Total accounts	YTD 2012	Change	YTD 2013
	1.84 MM	(2%)	1.80 MM
ROE	19.0%	12.6pp	31.5%
ROA	3.1%	3.1pp	6.1%

As of September 2013
Figures in million pesos

Enhancement in value proposition (rewards program, merchant promotions, insurance) and targeted portfolio strategies to achieve 15-17% growth in 2014.

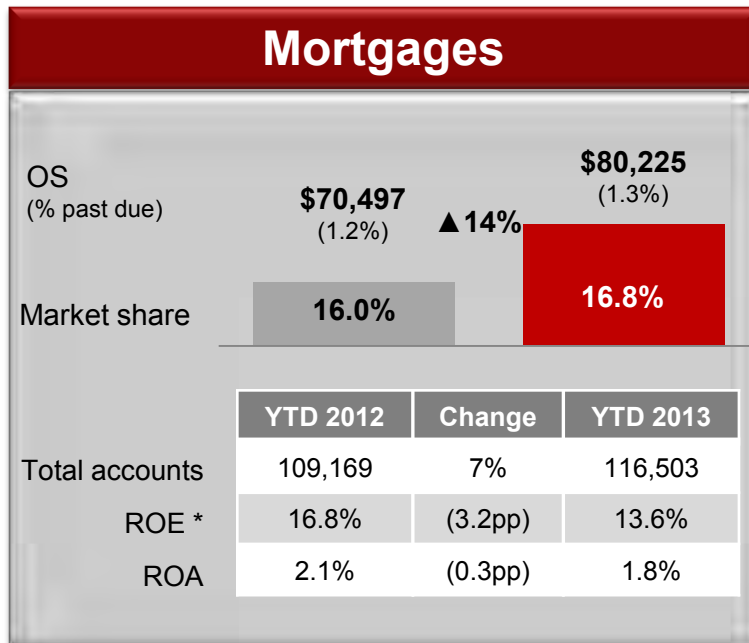
New origination from cross-selling and co-branding strategies.

Payroll Loan



As of September 2013
Figures in million pesos

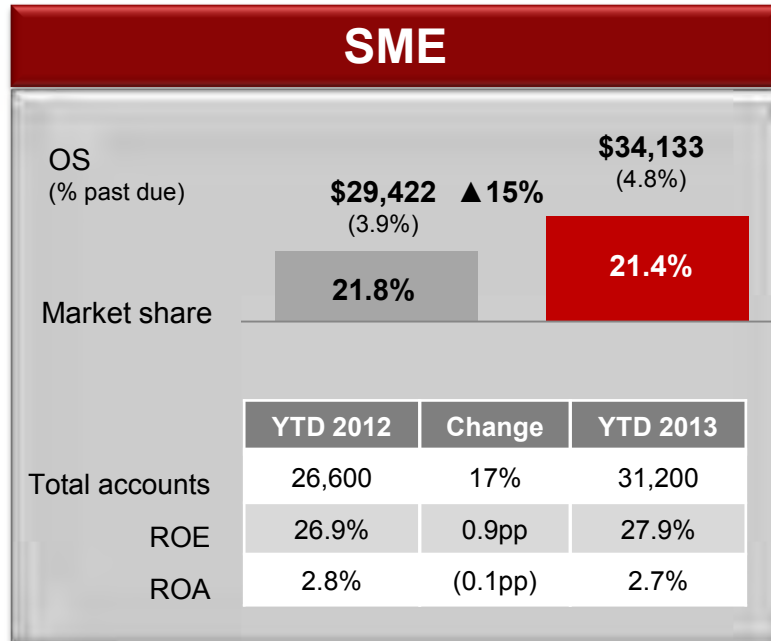
- **Prioritize efforts to manage risky clusters with more segment-based pricing for new origination resulting in:**
 - **23-25% loan growth**
 - **9-11% increase in active accounts year-end 2014 (+4.6 million)**
- **Large Hardware and Software IT investment to enhance cross-sales:**
 - **operational infrastructure**
 - **large-scale standardization of pre-authorization**



As of September 2013
Figures in million pesos

* Does not include insurance cross-sales income

- Roll-out of full suite of products for all segments to support 11-12% growth
- New acquisitions through alliances with developers and brokers
- Comprehensive risk-adjusted pricing strategy on market offerings



As of September 2013
Figures in million pesos

- Complement branch origination with new "SME Center" to drive 19-21% growth
- Cross-sales of DDAs and SBPs to target bottom of the pyramid
- Redesign of a product and pricing strategy for new collateral conditions

2014 and Beyond...

- **Ensure timely adjustments of commercial and risk strategies to maintain attractive returns and credit volumes**
- **Integrate big-data analytics and multi-channel capabilities in BAU origination, engagement and collection strategies**
- **Gradually roll out value propositions for private bank, affluent and mass segments**

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Wholesale Banking

Marcos Ramírez



Towards 20/20 The Perfect Vision

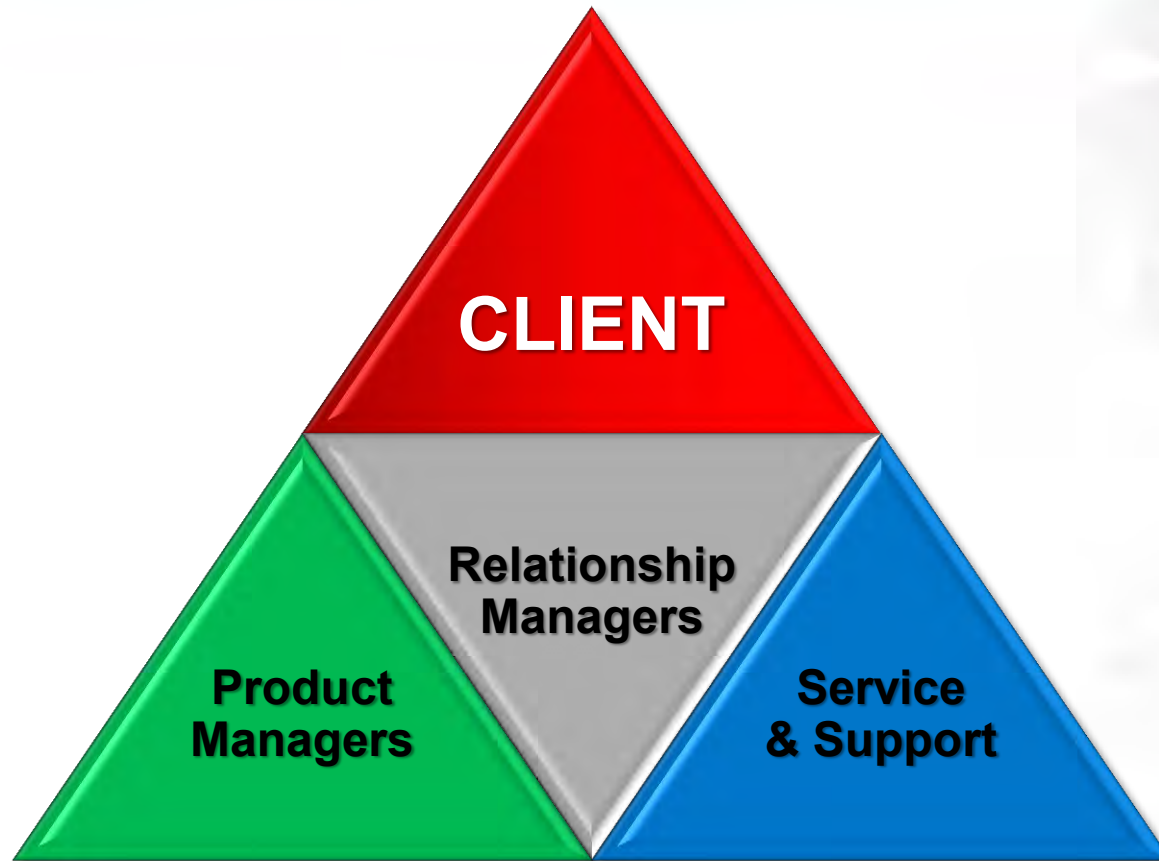


- 1. Wholesale Banking Division**
- 2. Opportunities**
- 3. Strategic Initiatives**



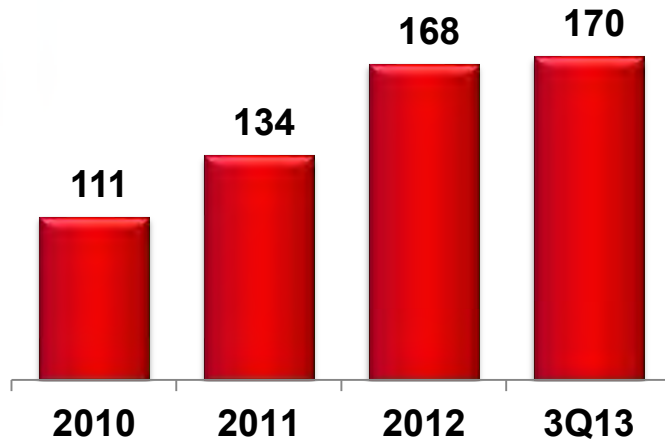


Wholesale Banking Model

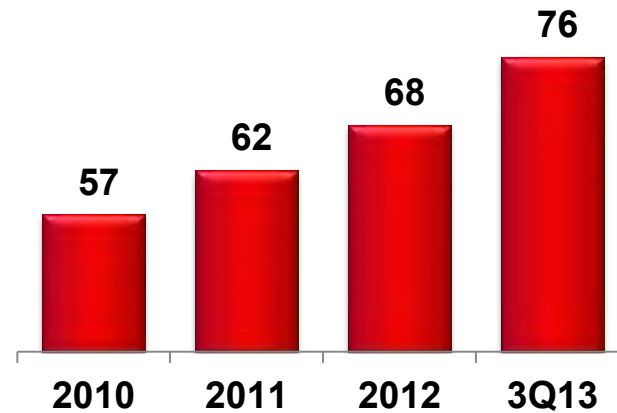


Corporate & Large Enterprise Banking

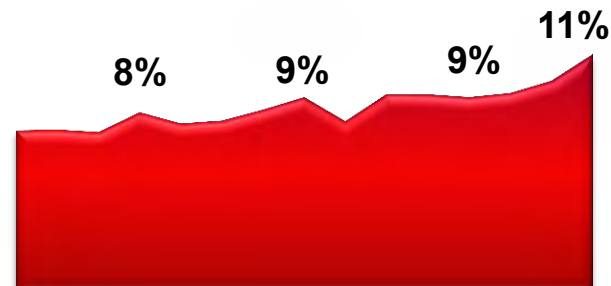
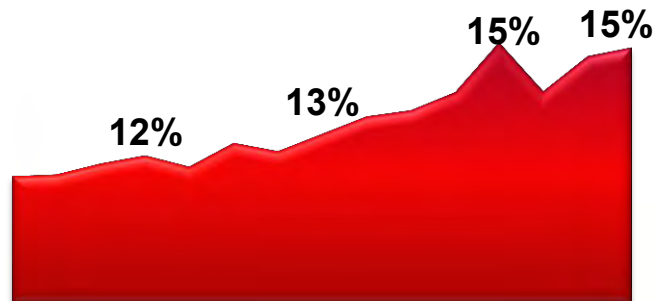
Loans



Deposits



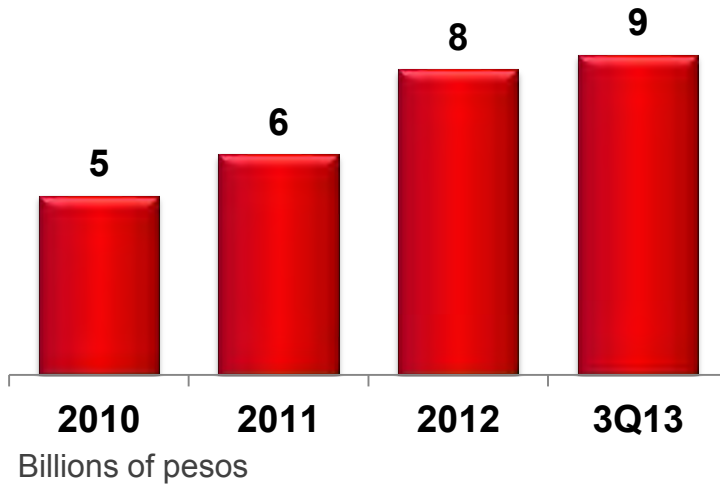
Market Share



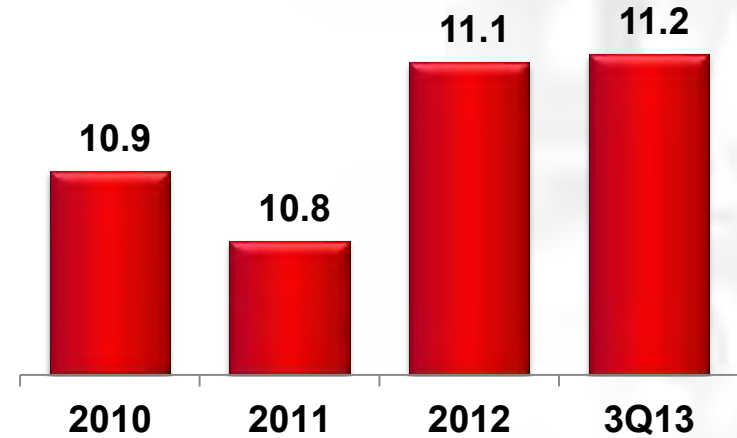
- + Leasing
- + Factoring
- + Warehousing
- + Insurance
- + Pension Funds
- + Annuities
- + Brokerage

Leasing & Factoring

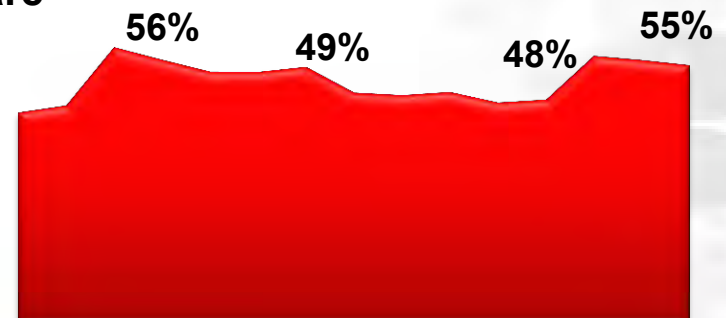
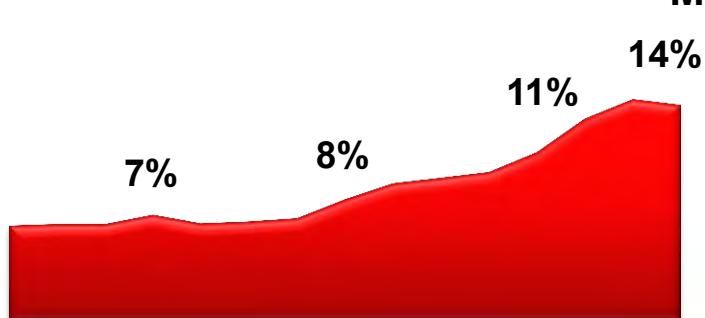
Leasing Portfolio



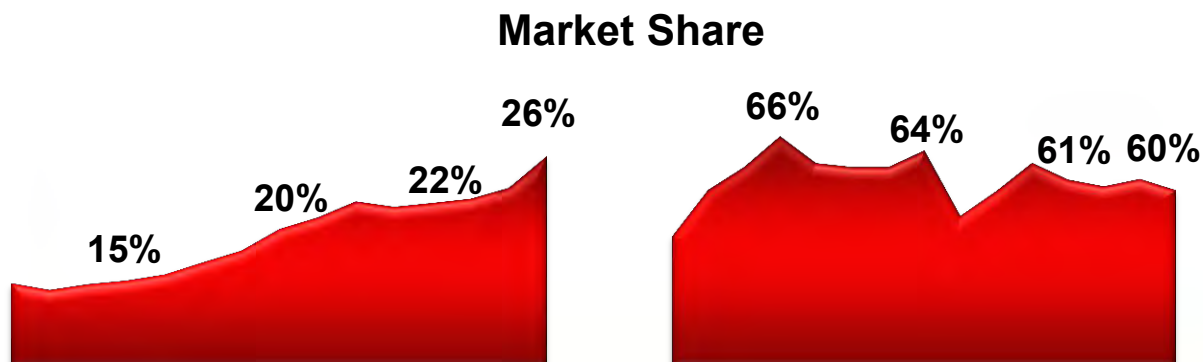
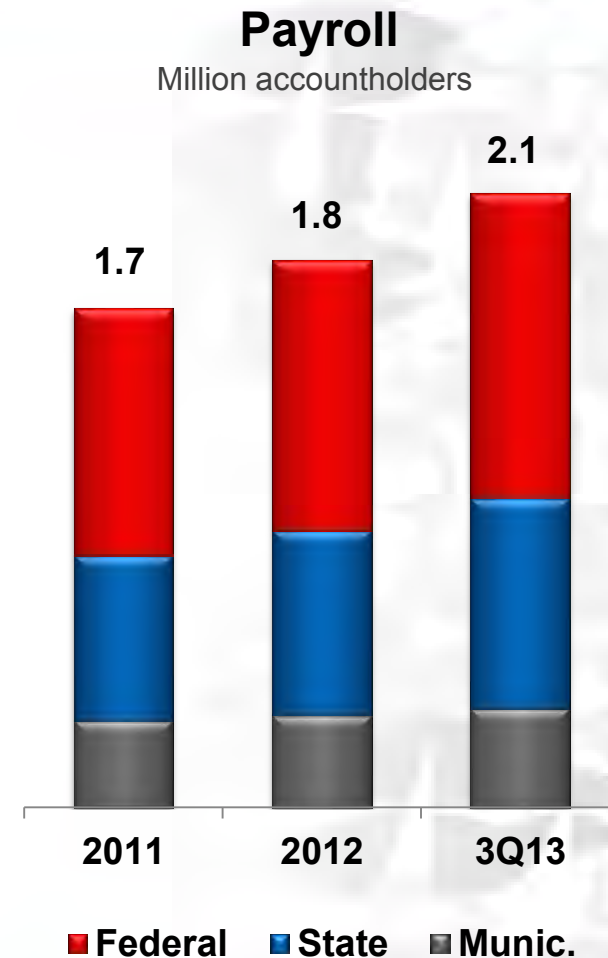
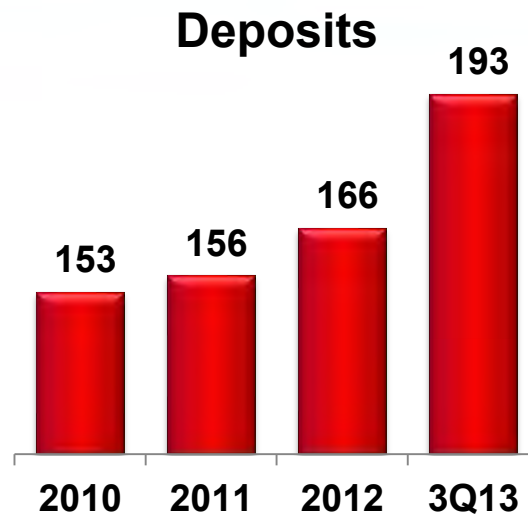
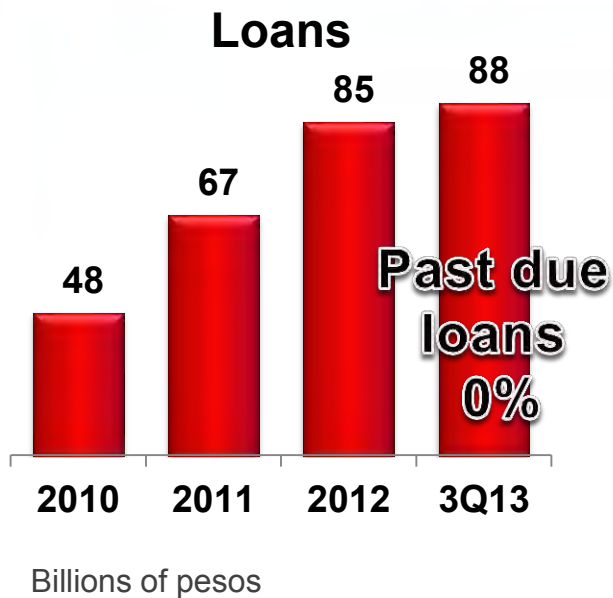
Factoring Portfolio



Market Share



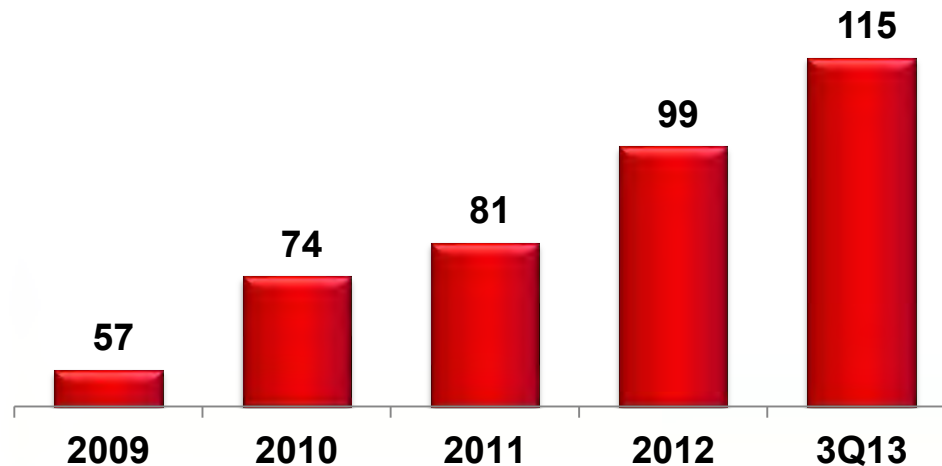
Government Banking



Private Banking & Asset Management

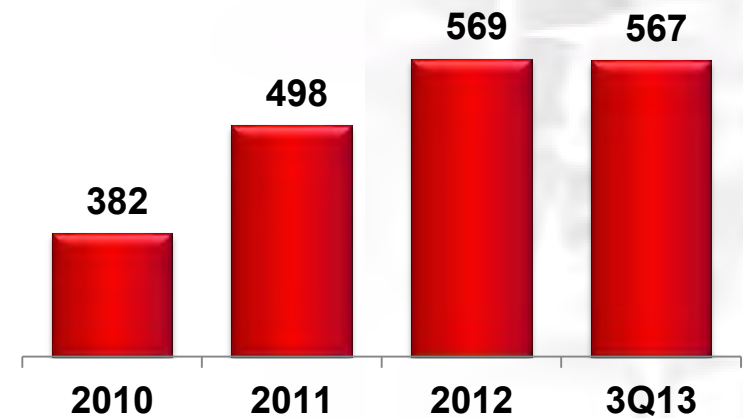
- 35,000 high networth & private clients
- 38 offices nation wide
- 270 private bankers

Mutual Funds' AUM



Billions of pesos

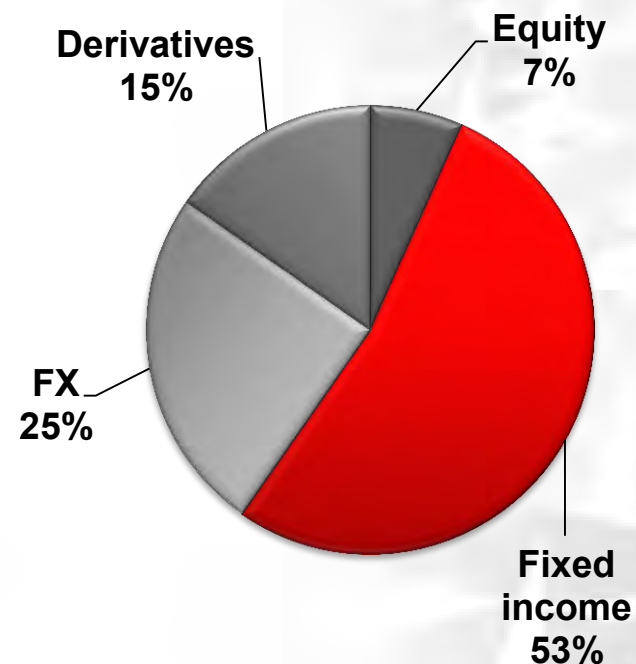
AUM



ALM

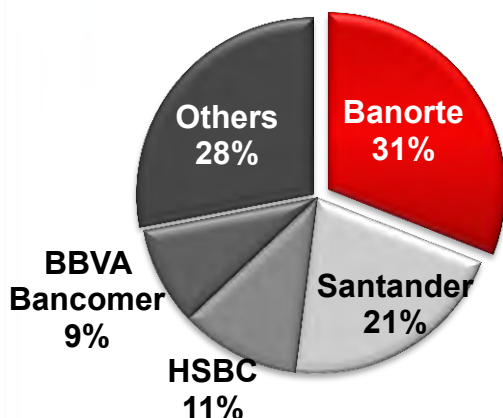
Commercial Assets	438,284	Client Deposits	440,703

Revenue by Market



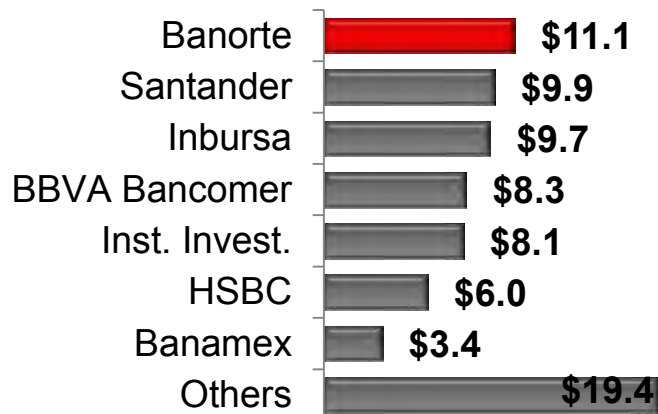
Investment Banking

Infrastructure Financing



Market Share

Infrastructure SLM



League Table

Banamex	17%
BBVA	14%
Banorte	11%
HSBC	11%
Inbursa	10%
Santander	8%
Others	28%
Total	\$ 226

Expected Investments 2013 - 2019

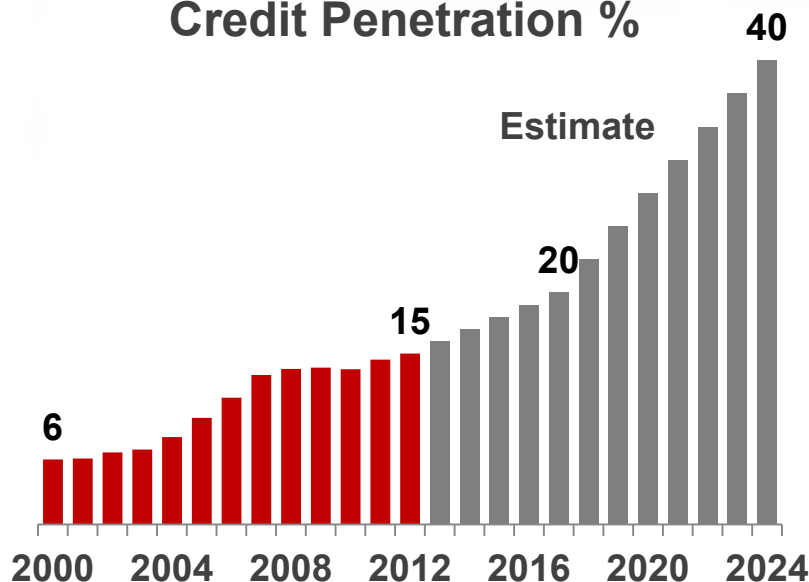
	Projects	Investment
Infrastructure	210	\$ 582
Tourism	176	\$ 112

Billions of pesos. Source: SCT, Banobras, CNET.

Opportunities

Bank Lending Reform

Credit Penetration %



Energy Reform

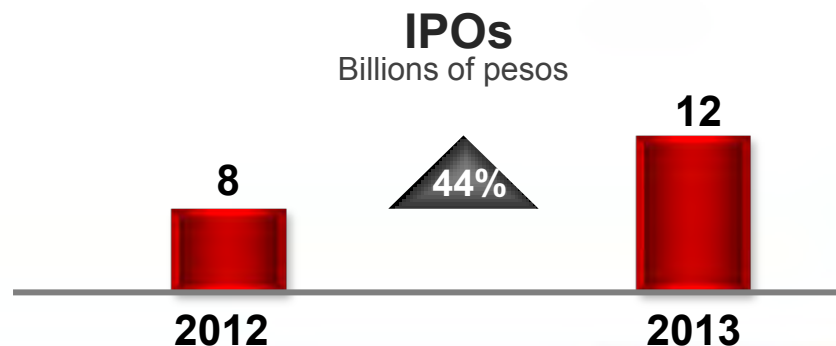
Objective: Take better advantage of energy resources, in particular fossil fuels.

Main points: Allow private - domestic & foreign - participation in exploration, oil production in deep seas and shale gas. Increase and make more transparent participation mechanisms in exploration and production of crude oil in shallow waters.

Tentative approval: December 2013

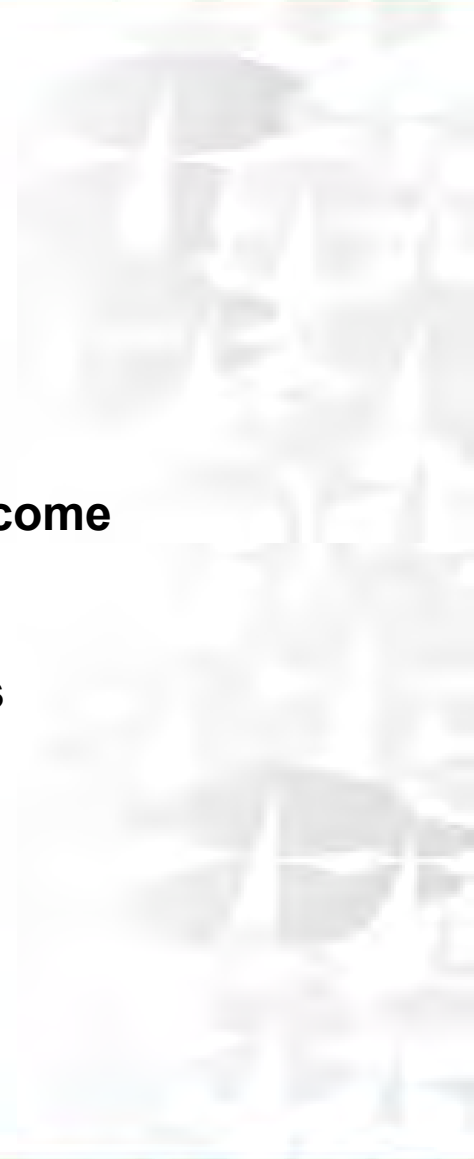
Impact on potential GDP: 1%

Capital Markets



Opportunities

- **Increase customer share of wallet**
- **Compete with best in class talent**
- **Improve revenue mix between interest & non-interest income**
- **Focus on deposits and non-traditional financial products**



Establish the Transaction Banking Unit to service clients in cash management & payment related services

Services & Products

- Working capital
- Customer funding desk
- Cash management
- Payments
- Trade services
- FX desk

Support

- Sales experts
- Post-sale support
- Service level commitment

Operational Excellence

Establish the International Banking unit:

- **Increase trade facilities & upgrade current trade products**
- **Establish service & support processes with TB**
- **Train relationship managers**
- **Increase payment points across 40 countries**



遍布全墨西哥的网络和丰富的金融产品

BANORTE是墨西哥第三大金融集团，在总资产，对客户的吸引力和客户市场份额等方面都排名前三，拥有墨西哥最大的退休基金管理机构，拥有2万多名职员为超过1900万的客户提供优质的服务。

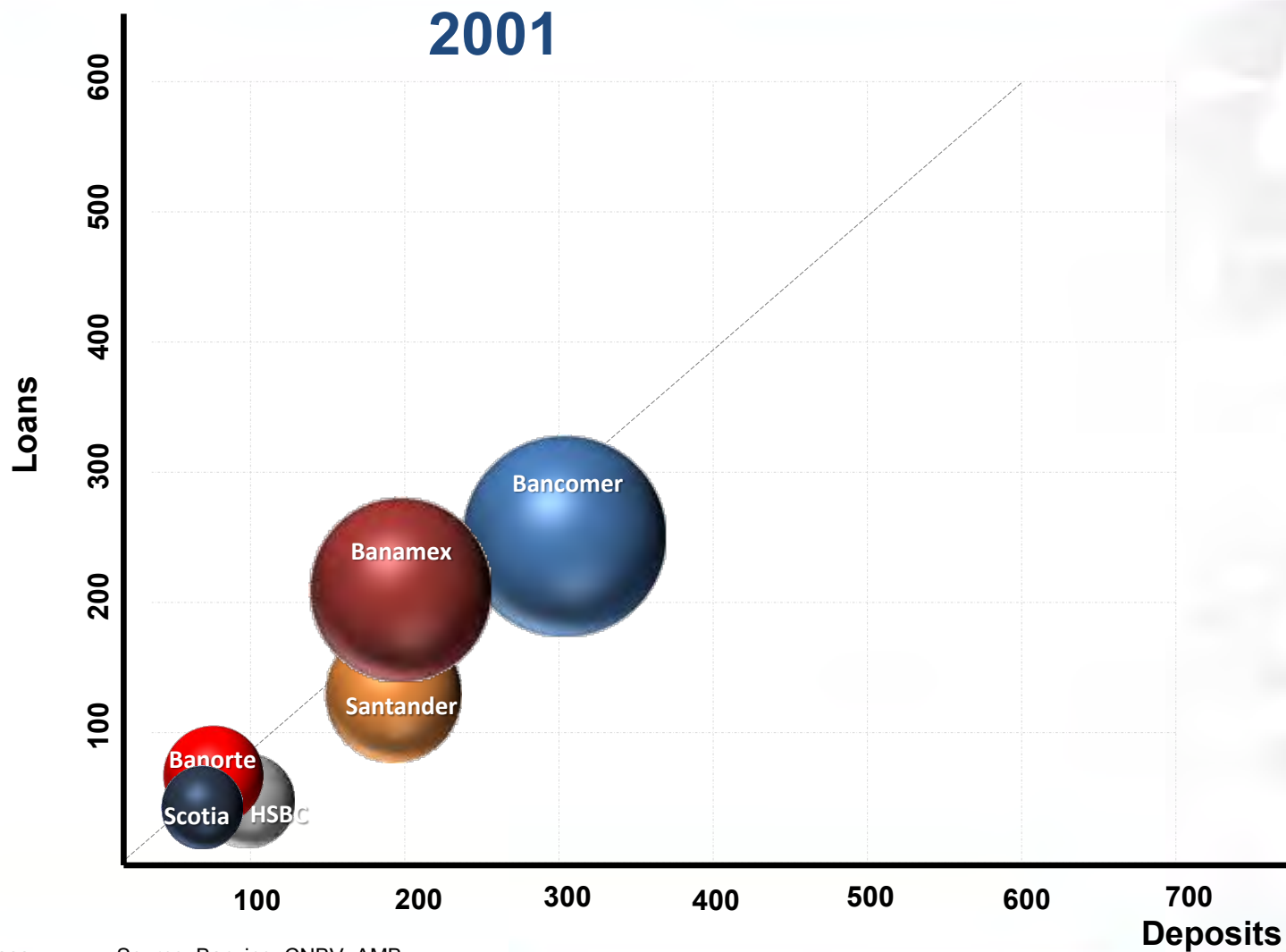
机构网点情况：

拥有**1282**家分支行
拥有**13**家中小企业服务中心
拥有**6705**个自动柜员机

在便利店和电报公司等设有**4077**个服务柜台，其中**7 Eleven**有**1481**个，**Telecomm**有**1609**个，在**Extra**有**987**个。



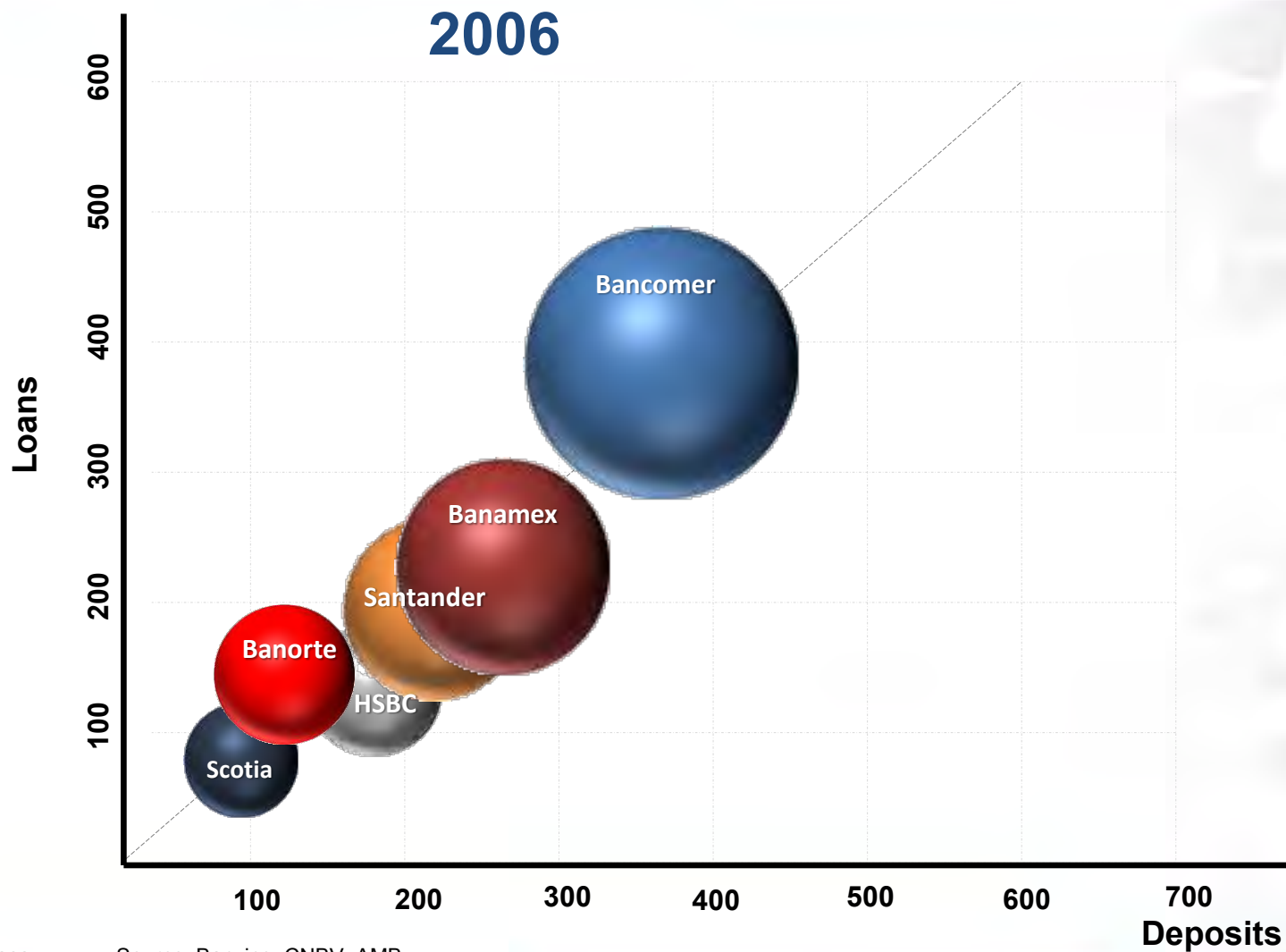
Market Evolution



Billions of pesos.

Source: Banxico, CNBV, AMB.

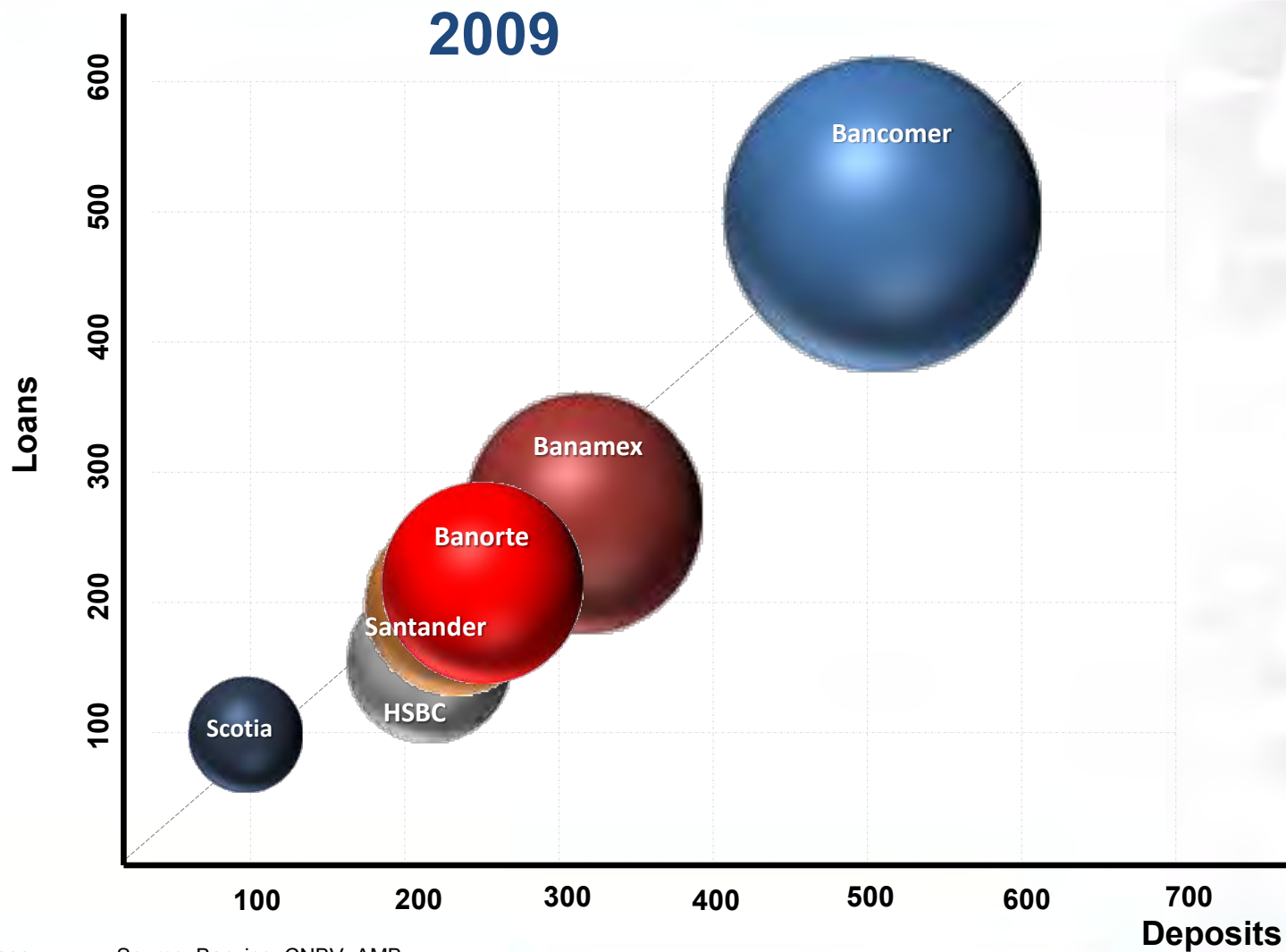
Market Evolution



Billions of pesos.

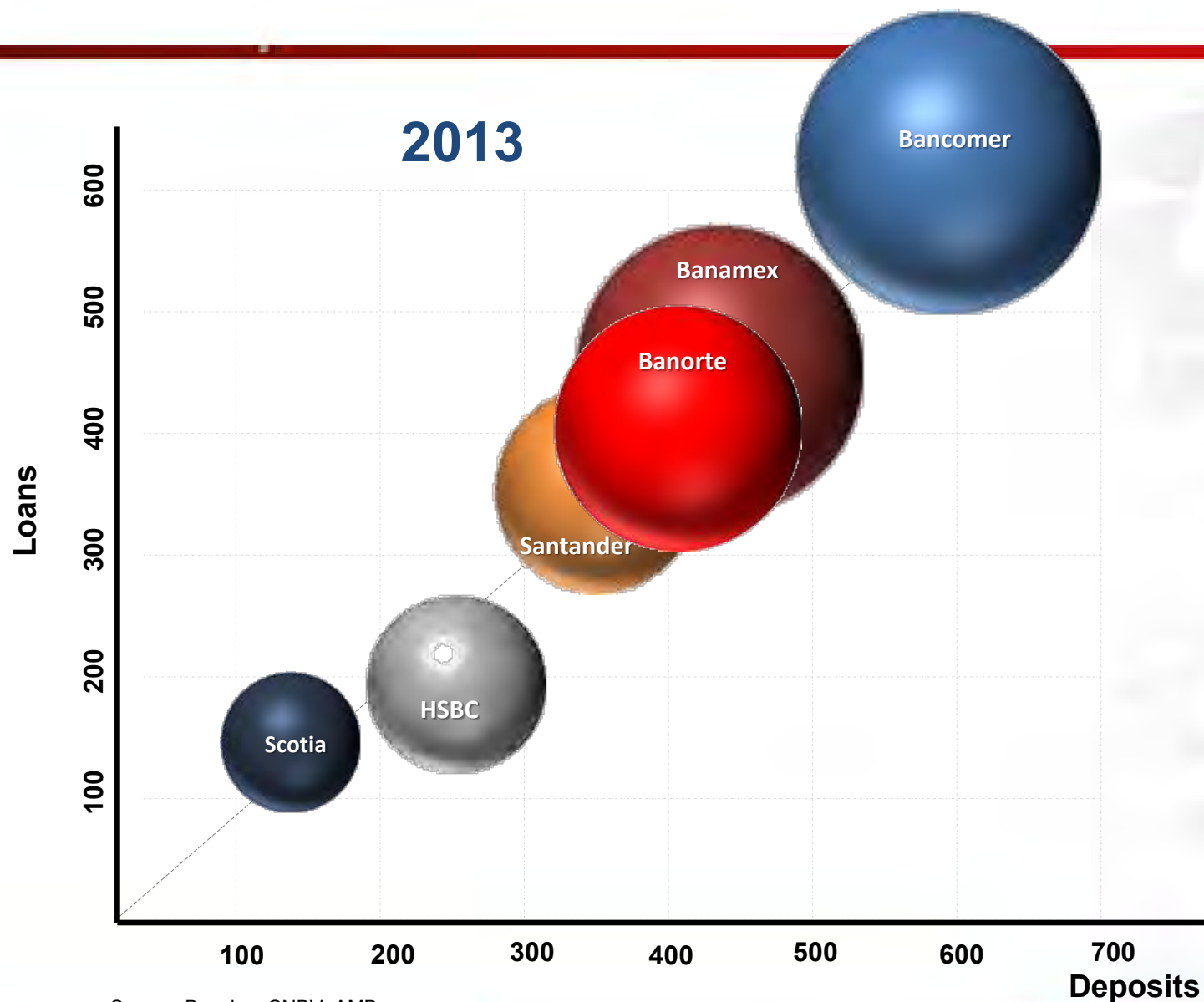
Source: Banxico, CNBV, AMB.

Market Evolution



Source: Banxico, CNBV, AMB.

Market Evolution



Source: Banxico, CNBV, AMB.

Banorte Day 2013

The New Retail Banking Model

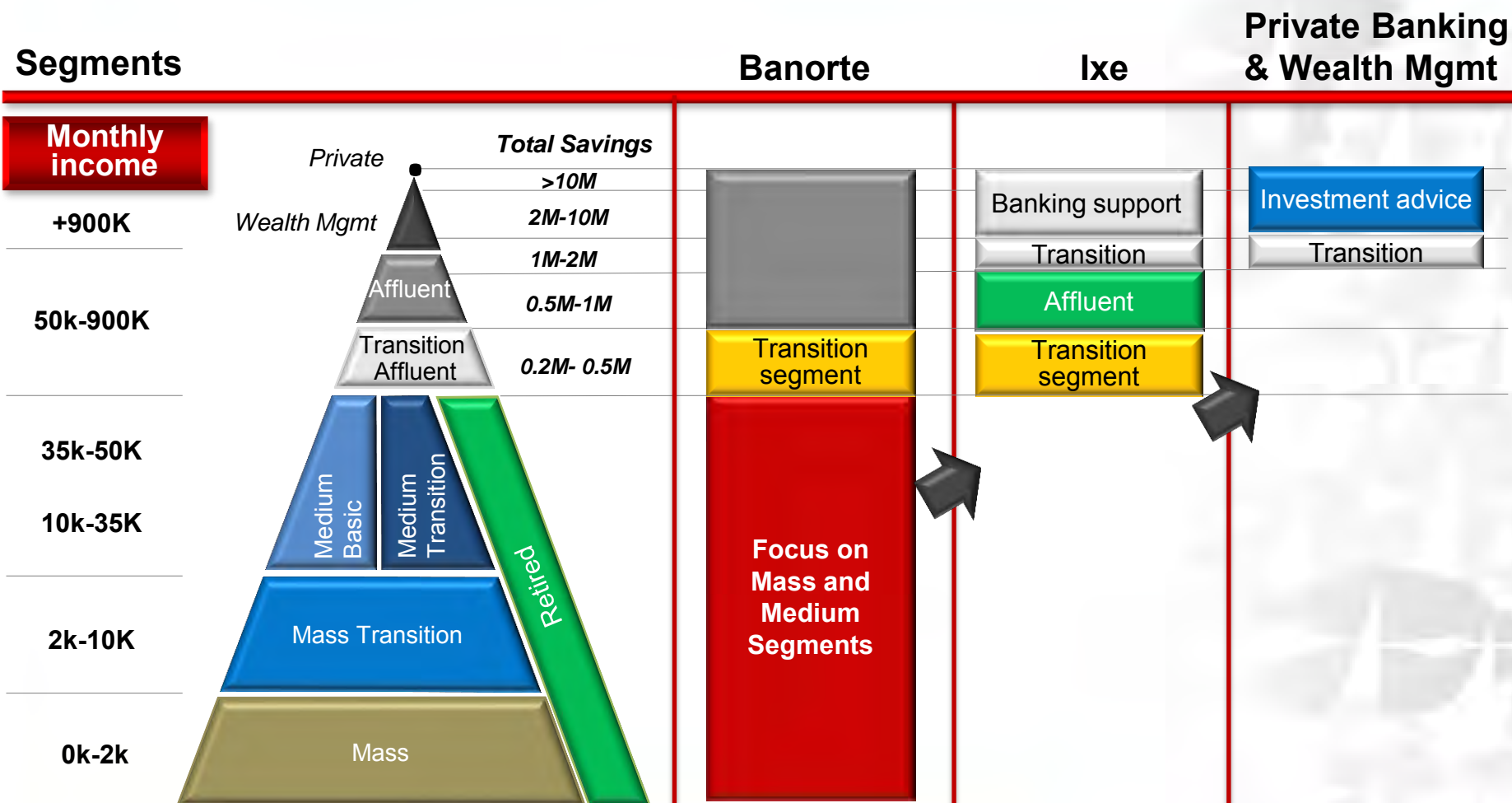
Andres Aymes



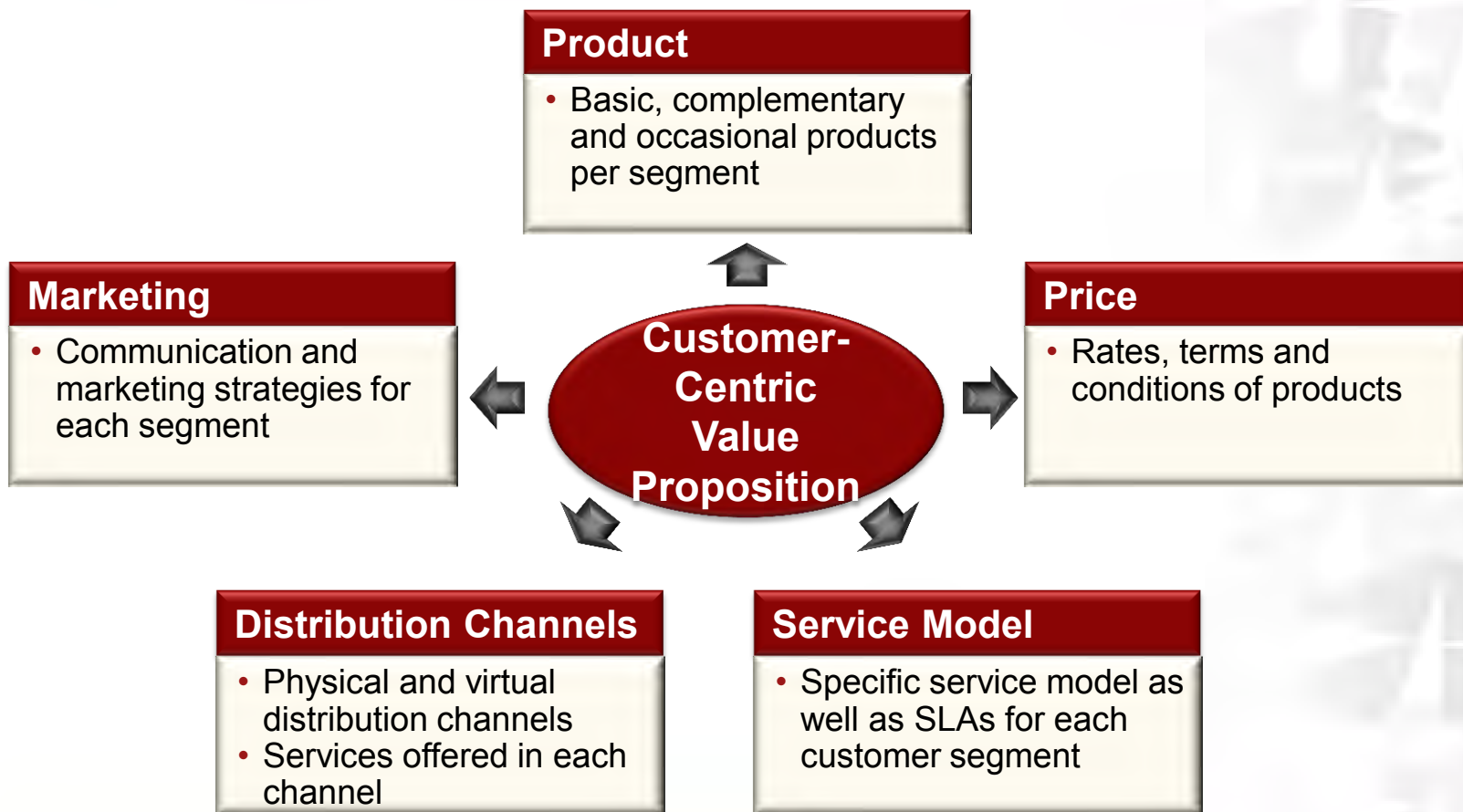
Retail Banking Model Goals

- **Current product-per-customer ratio is 1.8x and the average for largest Mexican banks is 2.2x**
- **In order to increase the product-per-customer ratio, Banorte has developed a new retail customer-centric based model**
- **The four underlying objectives of this model are:**
 - **Build effective customer segmentation**
 - **Develop tailored customer value proposition**
 - **Create budgets based on customer segment business gaps/opportunities.**
 - **Align variable compensation and incentive schemes with customer segmentation models**

1 Customer Segmentation



2 Value Proposition Development



3 Budget Creation

- **The budget creation process has changed to incorporate the specific demand for products and services of each customer segment as well as the characteristics of the "micro" market of each branch:**
 - **A comparison was made between products and services of Banorte customer segments with those of other banks in order to identify internal cross-selling opportunities**
 - **Based on the characteristics of each branch market, goals have been set to increase the sale of specific products in order to boost productivity and profitability**

4 New Compensation Scheme

- **The variable compensation model for Mexico City is based on customer development in order to attain higher levels of profitability. The drivers of this model include:**
 - **Enhance sales force awareness on the profitability of each product.**
 - **Create flexibility to stimulate sales of the most profitable products and to adapt to “micro” market changing conditions (there are penalties if the optimal product mix is not attained).**
 - **Bonuses are paid only to those branch executives capable of creating incremental net operating income.**

Banorte Day 2013

SUMANDO Project: IT and Process Transformation

Javier Salgado, Ignacio Aldonza & Concepción Borjón

Sumando Banorte Transformation Program



Play
Video

Customer Expectations



- **Instant access to information, products and services**

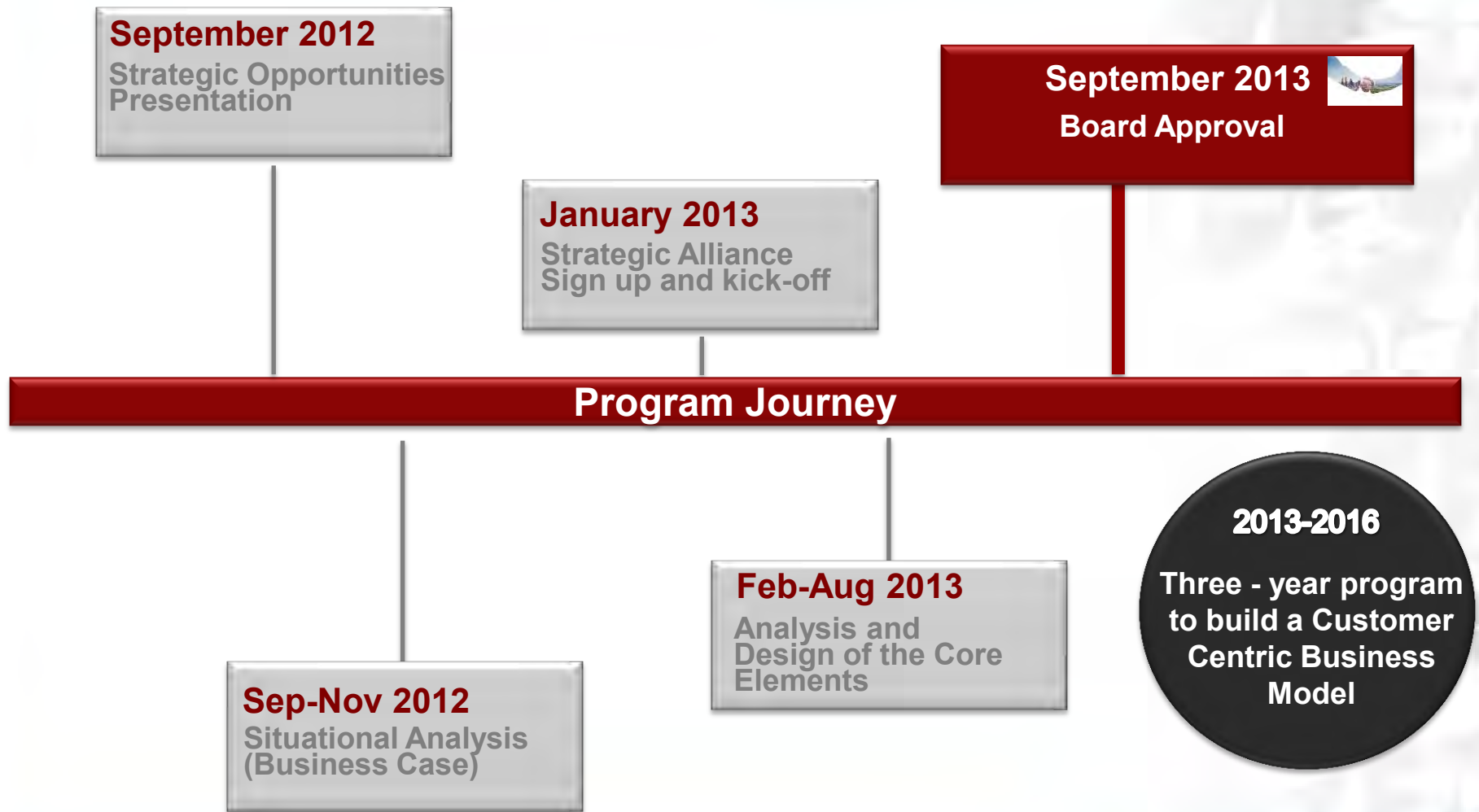
- **Seamless experience 24x7**

- **To be engaged as individuals, anytime, anywhere, on their own terms**

- **Transparency**

- **Looking for value - added long term relationships**

Evolution of our Strategic Partnership with IBM



Our aim is evolve to a sustainable and diversified customer centric business model based on:



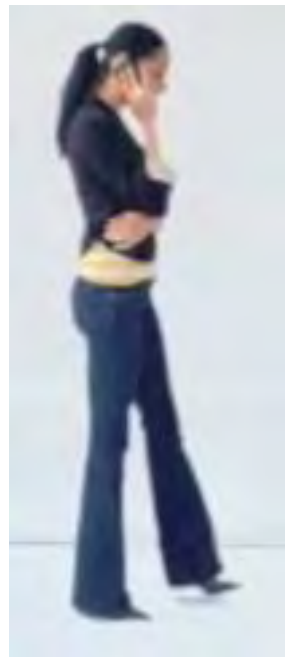
A Centralised Customer Repository

- Over 12.8 million customers
- World class leading analytical tools and infrastructure



- Customer Profitability
- Individualised Offers
- Deep Customer Knowledge: Segment of One
- Basically, make the customer feel at home

A Single Customer View in all our Channels



Customer
Intelligence



Multichannel
Core Platform

Branches

ATM

Contact Centre

Internet

Mobile

Others



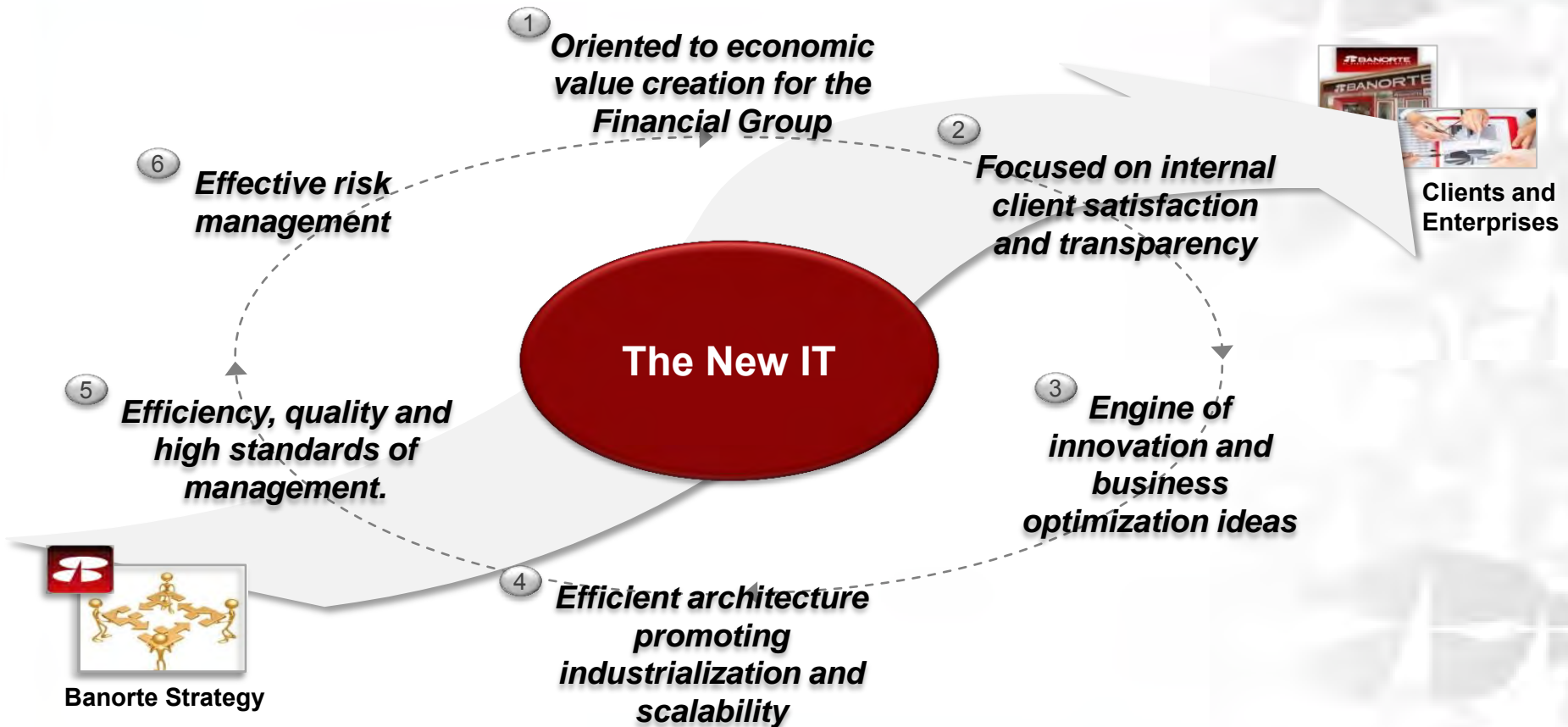
- **Straight through processing approach (STP)**

- **Start-up of a Transformation Unit as our change engine**

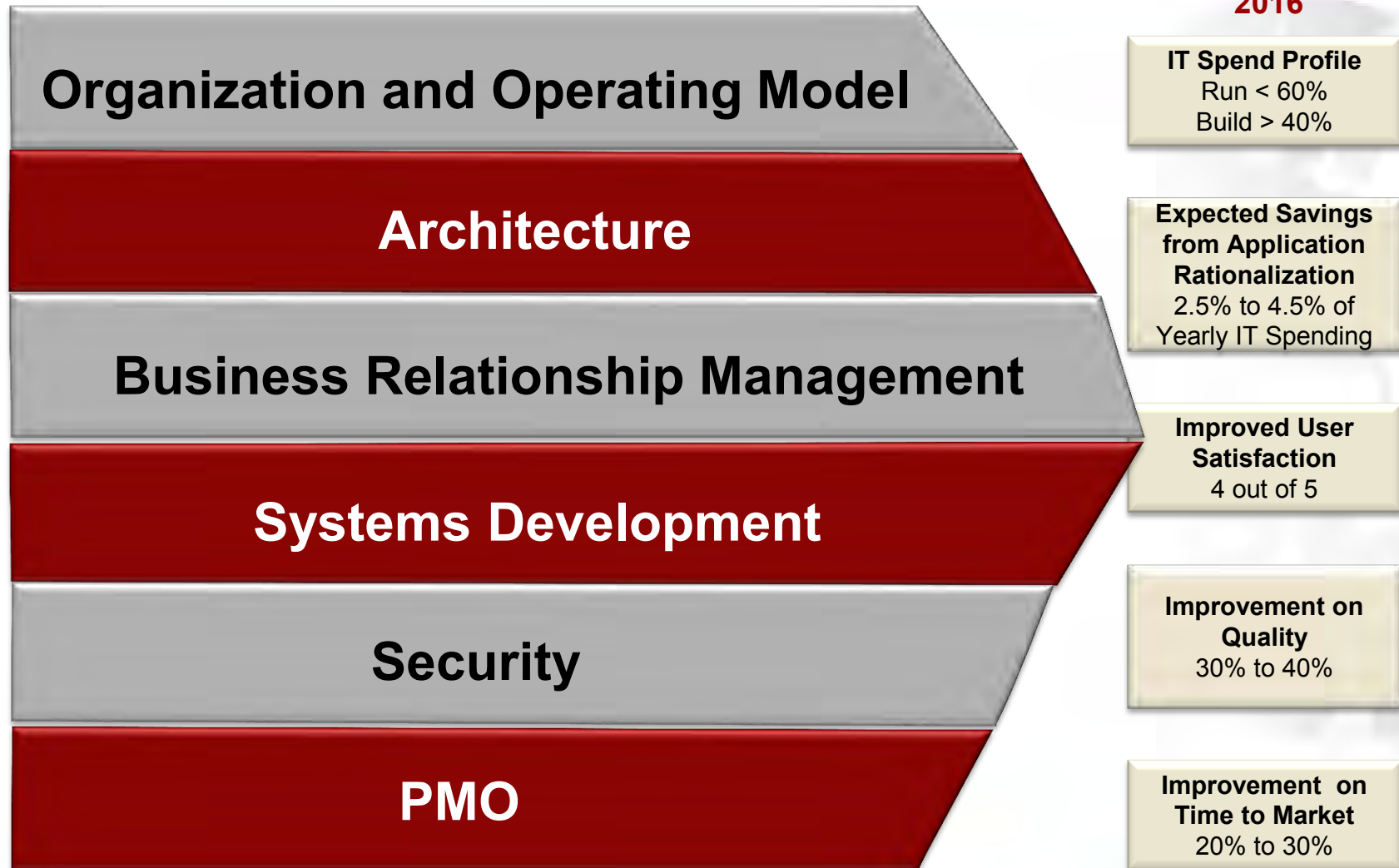


- **Customer Origination**
- **Transformation of Operations as a Centralised Unit**
- **Operational Efficiency (BAU)**

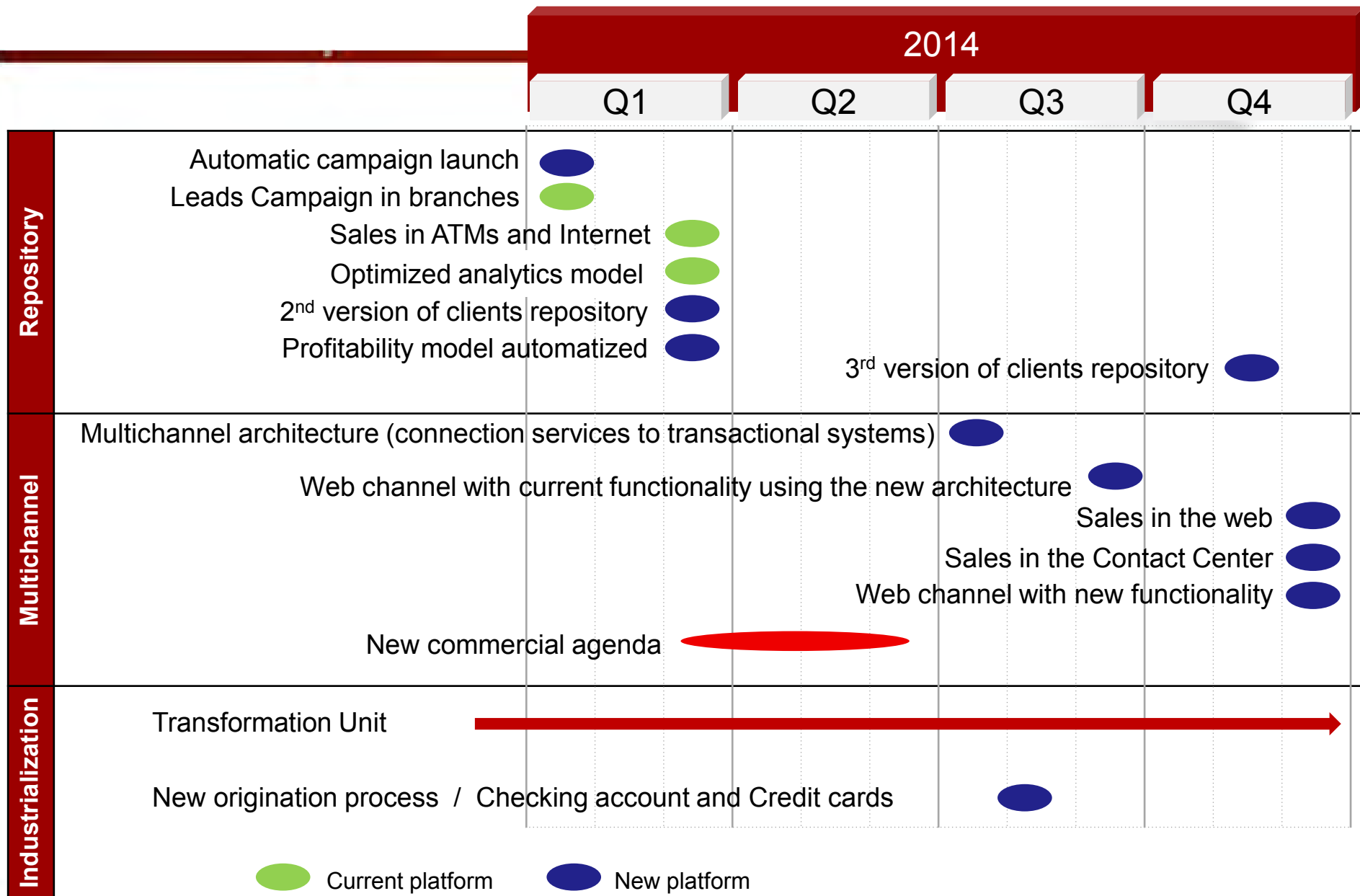
Technology as a fundamental resource of Business Process Transformation.



IT Transformation Expected Outcomes



Program roadmap 2013 - 2014



Banorte Day 2013

Afore, Insurance and Annuities

Fernando Solís

AFORE XXI-BANORTE

- **Manages mandatory savings and alternative pension business in Mexico**
- **With the acquisition of BBVA Bancomer, Afore XXI-Banorte became the market leader, with a 26.7% market share in AUM and a 26.3% market share in managed accounts as of September 2013**
- **Besides mandatory savings, there are other sources of income:**
 - **Complementary pension plans**
 - **Voluntary savings**
 - **Cross-selling**

September 2013:

- **Net earnings: Contributed with 8.6% of the 9M13 Financial Group's net income***
- **AUM: \$531,039 million pesos**
- **Accounts: 11,547,577**

* Corresponding to GFNorte's participation in each business.

PENSIONES BANORTE

- **Annuities Insurance leader in Mexico with 45.7% market share in premiums**
- **Two main sources of income:**
 - **The difference between the guaranteed rates for annuities and the market rate on investments**
 - **Interest on loans**

September 2013:

- **Net earnings: Contributed with 0.6% of the 9M13 Financial Group's profits***
- **Premiums: \$7,128 million pesos**
- **Technical Reserves: \$48,743 million pesos**
- **The ROE is 12% as of 9M13**
- **The new business IRR is 32%**

* Corresponding to GFNorte's participation in each business.

SEGUROS BANORTE

- The only multi-channel and multi-segment (life, automobile, health & property) insurance company in Mexico
- Maintains market share of 4.7% in premiums and is ranked 8th in sales and 7th in net earnings. There are relevant gaps with main competitors
- The Bancassurance business is the main value driver of value

September 2013:

- Net earnings: Contributed with 3.9% of the 9M13 Financial Group's profits*
- Premiums: \$10,193 million pesos
- Technical Reserves: \$11,813 million pesos

* Corresponding to GFNorte's participation in each business.

Long Term Savings Sector

AFORE XXI-BANORTE

	9M12	9M13	Change %
Earnings	2,186	4,432	103%
Net earnings	867	1,762	103%
AUM	236,627	531,039	124%
ROTE	55%	44%	

PENSIONES BANORTE

	9M12	9M13	Change %
Premiums	5,895	7,128	21%
Net earnings	78	113	45%
Technical Reserves	39,061	48,743	25%
IRR New Production	34%	32%	

SEGUROS BANORTE

	9M12	9M13	Change %
Premiums	9,218	10,193	11%
Net earnings	751	759	1%
Technical Reserves	10,263	11,813	15%
ROE	36%	31%	

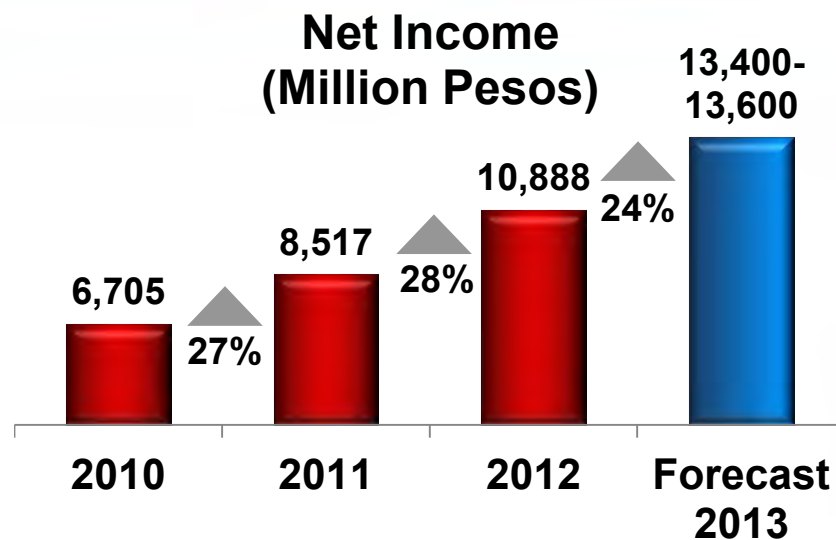
Millions of pesos

Banorte Day 2013

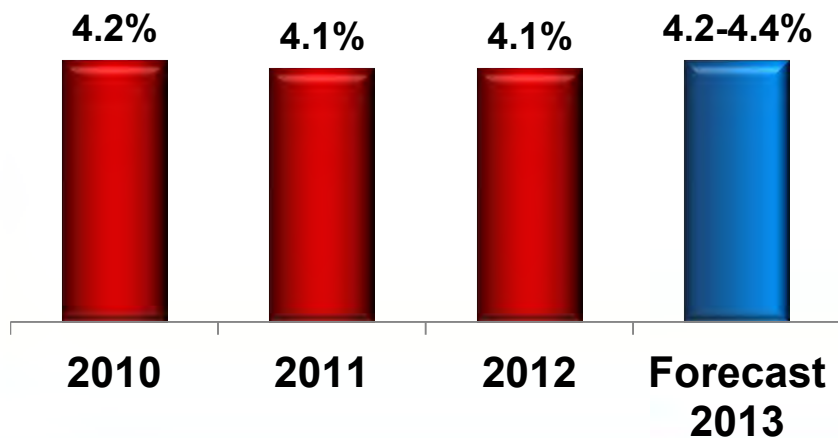
Guidance

Forecasts 2013-2014

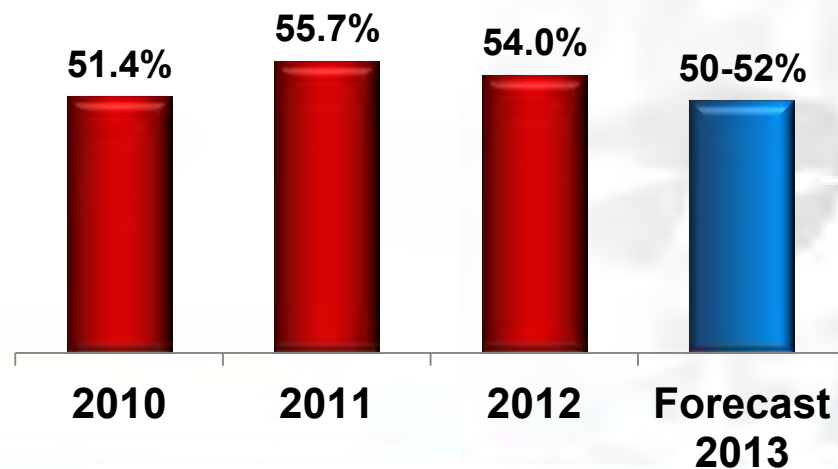
Forecasts 2013-2014



NIM



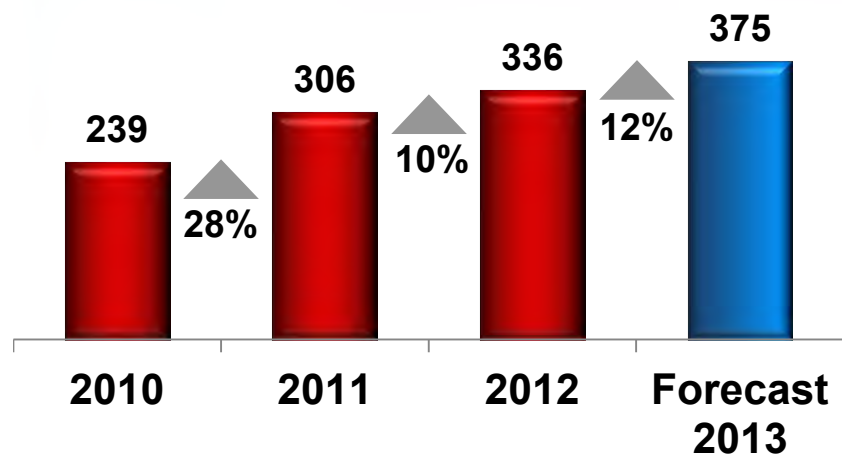
Efficiency



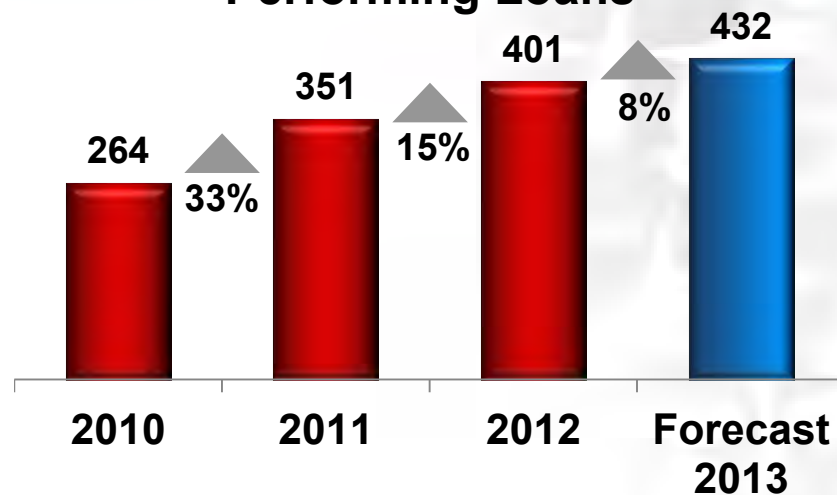
Forecasts 2013-2014

Billion pesos

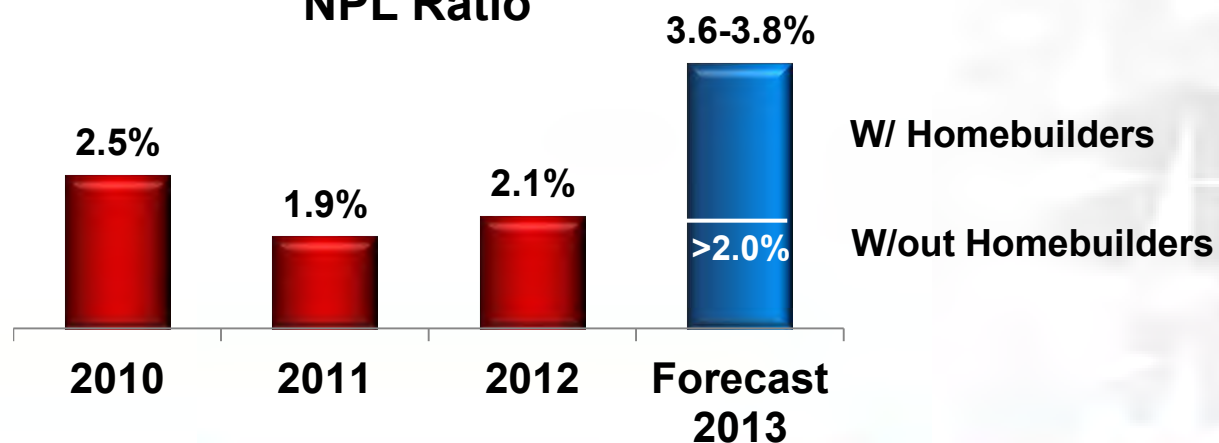
Core Deposits



Performing Loans



NPL Ratio



Main Targets for 2014

- **Loan Growth:** Up to 15%
- **NIM:** 10 - 20 bp expansion
- **Fee Growth:** Up to 10%
- **Expense Growth:** Up to 9%
- **Efficiency:** Below 50%
- **Provisions to Average Loans:** Below 2.5%
- **ROE:** Above 14%
- **ROA:** 20 - 30 bp expansion

Banorte Day 2013

Closing Remarks

Alejandro Valenzuela

